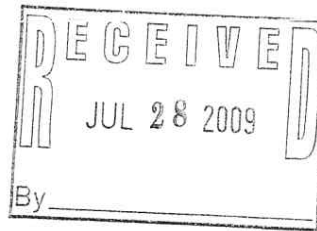


ORCUTT UNION SCHOOL DISTRICT
COUNTY OF SANTA BARBARA
ORCUTT, CALIFORNIA

AUDIT REPORT
June 30, 2008

DATE RECEIVED:



AUDIT REVIEW #(s) 05081

Assigned To: Mount

Date Reviewed: 8/20/09

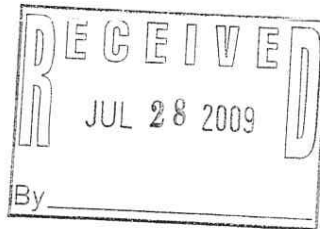
Reviewer's Initials: DM

Date Review(s) Completed: 8/20/09

ORCUTT UNION SCHOOL DISTRICT
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FINANCIAL SECTION

ORCUTT UNION SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Orcutt Union School District
Orcutt, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orcutt Union School District as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The lack of certain internal control procedures and supporting records of the student body fund limits us from expressing an independent auditors' opinion on recorded transactions of the statement of fiduciary net assets.

In our opinion, except for the effects of any adjustments that might have resulted had we been able to audit the student body fund, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Orcutt Union School District at June 30, 2008, and the respective changes in financial position thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 of the notes to basic financial statements effective July 1, 2007, the Orcutt Union School District adopted Governmental Accounting Standards Board (GASB) Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures – an Amendment of GASB Statements No. 25 and No. 27*.

The Management's Discussion and Analysis on pages 3 through 14, and the budgetary information on page 37, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 8, 2008, on our consideration of the Orcutt Union School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Orcutt Union School District's basic financial statements. The accompanying combining and individual fund financial statements schedules, and statistical information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Orcutt Union School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

MOSS, LEVY & HARTZHEIM LLP

Moss, Levy & Hartzheim LLP

December 8, 2008

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

This section of the financial report provides discussion and analysis of Orcutt Union School District's financial performance with an overview of the District's financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus*, an amendment to GASB Statements No. 21 and No 34, issued in June 2001, and; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001.

Certain comparative information between the current year (FY08) and the prior year (FY07) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2007-2008 fiscal year include the following:

- Total net assets for the District are \$25,670,708. This is an increase of 5.82% from prior fiscal year.
- Contract negotiations were settled with 2% on the salary schedule as well as increased health and welfare benefits of 6.5% increase over prior fiscal year.
- Student enrollment decreased by 143 students from October of 2006 to October of 2007.
- The District completed approximately \$900,000 in capital improvements. The largest of these was the Orcutt Jr. High School entrance and hardcourt playfields which was funded by deferred maintenance, special reserve fund for capital outlay projects, and school site budgets.
- The District maintains the State required minimum reserve for economic uncertainty which is calculated at 3% of general fund expenditures and other financing uses.

ENROLLMENT

The number of students served is the basis for most revenues that flow into the District. The most consistent measurement of enrollment by school districts in California is the enrollment count in October of each year. The count in October, as mandated by the State, is utilized to give districts consistent numbers for a year-to-year analysis. This enrollment is called CSIS (California School Information Services, previously known as CBEDS.) Although the October CSIS is the first solid indicator of enrollment for the year, the District's largest source of revenue in any fiscal year is based on P-2 ADA. This is the second period of Average Daily Attendance which is the average student attendance between July 1 and April 15. The District receives money only on those

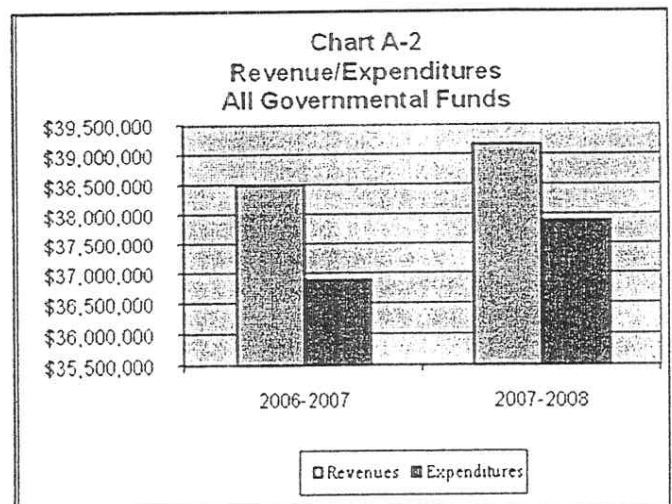
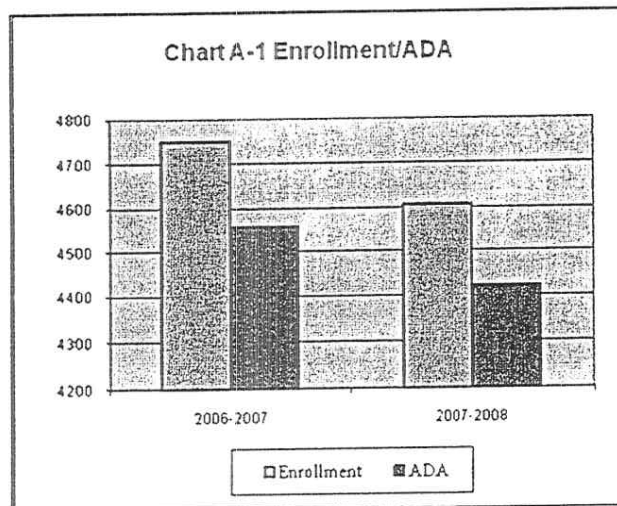
ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

students who actually attend school. Annual ADA is calculated at year-end and adjustments are made in the subsequent year. The percentage of Enrollment to ADA for both current fiscal year and prior fiscal year is 96%.

COMPARISONS:

In 2007-2008, the District decreased enrollment by 143 students however, due to a hold harmless provision to fund the same as prior fiscal year, the District realized one time revenues of approximately \$ 757,000. Starting in fiscal year 2002-2003, the District started losing ADA due to declining enrollment. In fiscal year 2003-2004, the District experienced the first major decline in enrollment of 66 students. In fiscal year 2004-2005, the District continued to further decline by 262 students. Overall, since 2002-03, the District has declined by 429 students. The decline is attributed to the high cost of housing in addition to changing demographics. Also during those years, the District did not accept many inter-district transfers. In 2005-2006, the District increased by 38 students due to inter-district transfers from neighboring districts and was able to maintain enrollment numbers through those transfers. Those transfers are no longer being allowed by the neighboring district.

Total Revenue Limit Sources in fiscal year 2007-2008, increased 4.11 %. Total revenues for the District increased by 1.75%. This is primarily due to increases in revenue limit and one time revenue limit appropriations due to declining enrollment.



ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

Table A-1

COMPARISON OF ALL GOVERNMENTAL REVENUES:

Governmental Revenues	Fiscal Year 2006-07	Fiscal Year 2007-08	Percent Increase (Decrease)
Revenue Limit Sources:			
State Apportionment	16,156,438	16,841,487	4.24%
Local Source	8,651,146	8,986,608	3.88%
Total Revenue Limit Sources	24,807,584	25,828,095	4.11%
Federal	1,618,749	1,865,656	15.25%
Other State	7,655,029	6,813,880	(10.99%)
Other Local	<u>4,418,595</u>	<u>4,666,750</u>	<u>5.62%</u>
Total Revenues	\$38,499,957	39,174,381	1.75%

Table A-2

COMPARISON OF ALL GOVERNMENTAL EXPENDITURES:

Governmental Activities	Fiscal Year 2006-07	Fiscal Year 2007-08	Percent Increase (Decrease)
Instruction	21,770,626	22,338,460	2.61%
Instruction Related Services:			
Supervision of instruction	1,006,223	1,060,568	5.40%
Instructional library, media and technology	861,647	1,144,629	32.84%
School site administration	2,180,086	2,218,362	1.76%
Pupil Services:			
Home to school transportation	726,853	801,498	10.27%
Food services	1,207,110	1,278,660	5.93%
All other pupil services	920,352	1,082,869	17.66%
General Administration:			
All other general administration	1,643,458	1,702,287	3.58%
Plant Services	4,571,595	4,174,120	(8.69%)
Ancillary Services	30,227	34,038	12.61%
Community Services	893,868	966,574	8.13%
Interest and principal/long term debt	<u>1,075,201</u>	<u>1,089,034</u>	<u>1.29%</u>
Total	36,887,246	37,891,099	2.72%

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

The Districts overall expenditures increased by 2.72% in fiscal year 2007-2008. Most functions increased due to increased negotiated contracts, however additional increases accounted for the following: Technology increases accounted for one time money spent on technology for classrooms, transportation increases were due to increased fuel costs, ancillary increased due to increased athletic stipends, pupil services increases were due to increased counselor support.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. This annual report is comprised of three components: 1) management's discussion and analysis (this section), 2) the basic financial statements, and 3) supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds* statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements*.
 - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

Figure A-1 Organization of Orcutt School District's Annual Financial Report

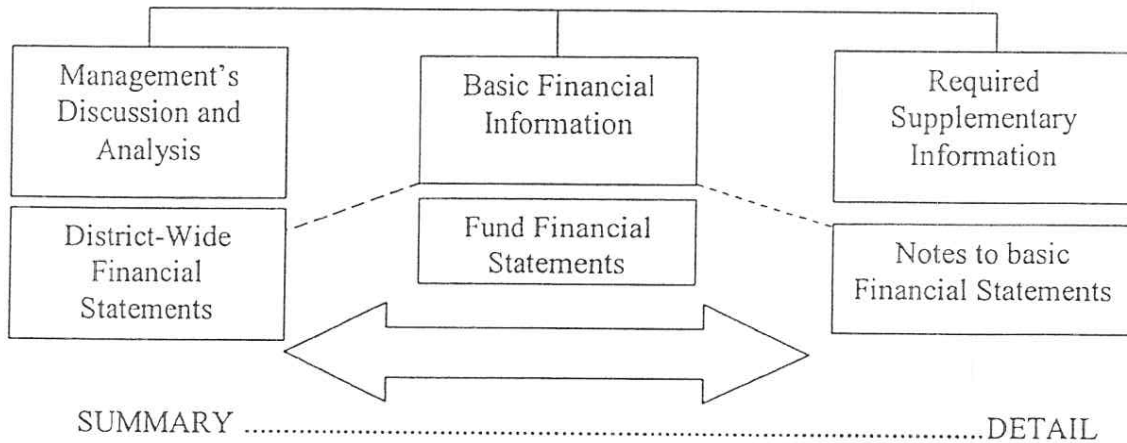


Figure A-2 summarizes the major features of the District's financial statements, including a portion of the District's activities covered and the types of information contained.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> Statement of Net Assets Statement of Activities 	<ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures, & Changes in Fund Balances 	<ul style="list-style-type: none"> Statement of Net Assets Statement of Activities Statement of Cash Flows 	<ul style="list-style-type: none"> Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the fiscal year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain non-financial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain non-financial assets, though they can

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

<i>Type of inflow/outflow information</i>	All revenues and expenses during the fiscal year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the fiscal year; expenditures when goods or services have been received and payment is due during the fiscal year or soon thereafter	All revenues and expenses during the fiscal year, regardless of when cash is received or paid	All revenues and expenses during the fiscal year, regardless of when cash is received or paid
---	---	--	---	---

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current fiscal year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

- Over time, increases and decreases in the District's net assets are indicators of whether its financial position is improving or deteriorating.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.
- In the District-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements focus on the School District's most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

- The District establishes other funds to control and manage money for particular purposes (i.e. repaying its long-term debt) or to show that it is properly using certain revenues (i.e. Federal grants).

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flows in and out and (2) the balances left at fiscal year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationships (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the retiree fund and student body funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

Notes to Basic Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the District-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* including the budgetary schedules for the major funds and the notes to the budgetary schedules.

Results of the federally mandated *Single Audit*, which includes auditors' opinion, schedule of federal awards and schedules of findings and questioned costs, are also included in this section.

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net assets were \$25,670,708 as of June 30, 2008.

Net Assets. The District's net assets is shown in Table A-3. The increase in net assets is shown in Table A-4

Table A-3

		Governmental Activities
		<u>2008</u>
Current and other assets		\$ 12,166,116
Capital assets, net		28,594,109
Total assets		<u>\$ 40,760,225</u>
Long-term debt outstanding		14,082,725
Other liabilities		1,006,792
Total liabilities		<u>\$15,089,517</u>
Net assets		
Invested in capital assets, net of related debt		15,165,871
Restricted for capital projects		2,460,871
Restricted for debt service		840,078
Unrestricted		7,203,888
Total net assets		<u><u>\$ 25,670,708</u></u>

Table A-4

		Governmental Activities
		<u>2008</u>
Total Revenues		\$ 39,174,381
Total Expenses		37,762,712
Increase in net assets		<u><u>\$ 1,411,669</u></u>

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial performance of the District as a whole is reflected in its governmental funds. As the District completed this fiscal year, its governmental funds reported a combined fund balances of \$10,960,883. This is an increase of 5.82% over last fiscal year. The District's General Fund had more revenues than expenditures in 2008.

Below in table A-5 is a list of all the various District's fund balances at the end of fiscal year 2006-2007, as well as fiscal year 2007-2008. The changes between the fiscal years are also listed.

Table A-5

Ending Fund Balances
Fiscal year 2006-2007 and 2007-2008

	Ending Balances At June 30, 2007	Ending Balances At June 30, 2008	Changes Increase (Decrease)
General Fund- 01	\$4,153,198	\$4,396,457	243,259
Cafeteria Fund 13	787,911	799,074	11,163
Deferred Maint. Fund 14	570,437	561,482	(8,955)
Special Reserve Postretirement Benefits Fund 20	529,570	1,049,656	520,086
Capital Facilities Fund 25	1,982,966	2,460,870	477,904
Special Reserve-Capital Projects Fund 40	591,729	592,288	559
Bond Interest & Redemption Fund 51	1,061,790	1,101,056	39,266
TOTAL	\$9,677,601	\$10,960,883	\$1,283,282

General Fund Budgetary Highlights

Over the course of the fiscal year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increases to account for categorical programs and school donations
- Salaries and benefits costs – salaries and benefits were increased to account for approved negotiated agreements and changes in personnel and health benefits

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

- Non-Capital expenses - increased to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the general fund anticipated revenues would fall short of expenditures by about \$1.8 million, the actual results for the fiscal year show that revenues actually exceeded expenditures by approximately \$1 million. Actual revenues were approximately \$500,000 more than anticipated due to a mandated cost payment, but expenditures were \$2.3 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were budgeted but not received nor spent as of June 30, 2008. They will be carried over into the 2008-09 budgets. In addition, schools typically carry over unrestricted balances that are budgeted in the first interim reporting period. Shortly after the Governor signed the 2007-2008 State budget, Districts were advised to hold off spending anything that wasn't necessary due to State revenues not meeting expectations. The State was projecting further deteriorating economic conditions affecting the State budget and in December, the Governor had declared a fiscal emergency. This contributed to the District utilizing a very conservative approach to expenditures in the 2007-2008 fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2007-08 the District had invested approximately \$29 million in capital assets. Total depreciation expenses for the year were \$1,076,766.

Table A-6

Governmental Activities

**Capital Assets at Fiscal Year-
End, net of accumulated
depreciation**

	<u>2008</u>
Land	\$ 1,864,100
Site improvements & Buildings	26,087,754
Machinery and Equipment	642,255
Total	<u><u>\$ 28,594,109</u></u>

Long-Term Debt

At fiscal year-end, the District had \$14.5 million in general obligation bonds, other long term-debt, and capital leases— a decrease of 3.13% from last fiscal year — as shown in Table A-7. (More detailed information about the District's long-term liabilities is presented in the notes to basic financial statements.)

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

Table A-7

Outstanding Long-Term Debt
at Fiscal Year-End

	<u>2007</u>	<u>2008</u>
General obligation bonds	\$14,320,000	\$13,955,000
Compensated absences payable	218,736	195,068
Capital leases	417,643	351,443
Other general long term debt	60,000	45,000
Total	<u>\$ 15,016,379</u>	<u>\$ 14,546,511</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

Changing demographics continues to change the face of education in California, thereby affecting Orcutt as we all struggle with the long term projected trend of declining enrollment within our population. Over half of the District's in California are in decline at this time. Live birth rate data for the Orcutt District suggests increases in the future, however increased costs of housing contributes to a decline of young families in the area for the short term. While affordable houses are anticipated to be built, it will be many years before the District sees significant increases in enrollment. Currently, developers are holding back construction due to a change in the real estate market and an economic housing slump. The District anticipates slow growth after a decline for the next couple of years.

The District has historically accepted inter-district transfers; however neighboring Districts not experiencing the growth of past years, have changed policies to no longer release students in the future. This will affect the District in the coming years until we begin generating students from new housing. For the short term, some new housing growth will mitigate some of the decline. In the next fiscal year, the District will begin a K-12 locally funded charter school which will additionally mitigate the decline in revenues due to declining enrollment and provide an additional educational option for the children of Orcutt.

Declining enrollment has provided one time dollars to the District in the fiscal year of the student decline, however, at the turnaround point where the District starts to grow it is critical for the district to have additional dollars to accommodate the added expenditures at that time.

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

At the time these financial statements were prepared and audited, the California Legislative Analyst continues to project that California's fiscal condition remains critical with significant budget shortfalls and is likely to remain so for the foreseeable future. The State structural deficit is growing exponentially. The State had been funding schools with one time money, anticipating an improved economy in the future. Money allocated to schools is at risk simply because of the pressures growing in other areas of the State budget as revenues decline and State expenditures increase due to economic factors. While it is almost certain that educational programs will be affected negatively in the future, the total impact on the finances of the District is unknown at this time.

CONTACTING DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to:

Ms. Marysia Ochej
Assistant Superintendent of Business Services
Orcutt Union School District
500 Dyer Street
P.O. Box 2310
Orcutt, CA 93457
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ORCUTT UNION SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2008

Assets	Governmental Activities
Cash in county treasury	\$ 8,294,675
Cash on hand and in bank	30,169
Revolving cash fund	15,900
Accounts receivable	2,867,280
Inventories, at cost	34,887
Land	1,864,100
Buildings and improvements	35,945,518
Equipment	2,915,095
Less accumulated depreciation	(12,130,604)
Deferred charges, net of accumulated amortization	923,205
Total assets	40,760,225
Liabilities	
Accounts payable	213,455
Interest payable	260,978
Deferred revenue	68,573
Long-term liabilities:	
Due within one year:	
General obligation bonds payable	380,000
Capital lease payable	68,786
Loan payable	15,000
Total due within one year	1,006,792
Due after one year:	
General obligation bonds payable	13,575,000
Compensated absences payable	195,068
Capital lease payable	282,657
Loan payable	30,000
Total due after one year	14,082,725
Total liabilities	15,089,517
Net Assets	
Invested in capital assets, net of related debt	15,165,871
Restricted for:	
Capital projects	2,460,871
Debt service	840,078
Unrestricted	7,203,888
Total net assets	\$ 25,670,708

The accompanying notes are an integral part of this statement.

ORCUTT UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 22,338,461	\$ -	\$ 3,653,087	\$ -
Instruction-related services:				
Supervision of instruction	1,290,737		513,391	
Instructional library, media, and technology	892,900		347,359	
School site administration	2,194,694		26,680	
Pupil services:				
Home-to-school transportation	756,788		463,410	
Food services	1,278,660	647,359	668,172	
All other pupil services	1,082,869		314,514	
General administration:				
All other general administration	1,702,287	27,194	123,270	
Plant services	3,464,993	1,004	205,301	
Ancillary services	34,038		1,036	
Community services	966,574		275	
Interest on long-term debt	676,169			
Other outgo	6,776		16,064	
Depreciation (unallocated)	1,076,766			
Total governmental activities	<u>\$ 37,762,712</u>	<u>\$ 675,557</u>	<u>\$ 6,332,559</u>	<u>\$ -</u>

General revenues:

Taxes and subventions:

Taxes levied for general purposes

Taxes levied for debt service

Federal and state aid not restricted to specific
purposes

Interest and investment earnings

Interagency revenues

Miscellaneous

Total general revenues

Change in net assets

Net assets, beginning of fiscal year

Net assets, end of fiscal year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets
\$ (18,685,374)
(777,346)
(545,541)
(2,168,014)
(293,378)
36,871
(768,355)
(1,551,823)
(3,258,688)
(33,002)
(966,299)
(676,169)
9,288
<u>(1,076,766)</u>
<u>(30,754,596)</u>
8,858,041
991,855
19,656,529
429,192
3,168
<u>2,227,480</u>
<u>32,166,265</u>
1,411,669
24,259,039
<u>\$ 25,670,708</u>

ORCUTT UNION SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Capital Facilities Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 2,607,445	\$ 2,402,257	\$ 3,284,973	\$ 8,294,675
Cash on Hand and in Banks	500	8,807	20,862	30,169
Cash in Revolving Fund	15,900	-	-	15,900
Accounts Receivable	2,570,080	56,628	240,572	2,867,280
Due from Other Funds	108,656	-	660,197	768,853
Stores Inventories	12,489	-	22,398	34,887
Total Assets	<u>\$ 5,315,070</u>	<u>\$ 2,467,692</u>	<u>\$ 4,229,002</u>	<u>\$ 12,011,764</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 189,843	\$ 822	\$ 22,790	\$ 213,455
Due to Other Funds	660,197	6,000	102,656	768,853
Deferred Revenue	68,573	-	-	68,573
Total Liabilities	<u>918,613</u>	<u>6,822</u>	<u>125,446</u>	<u>1,050,881</u>
Fund Balances:				
Reserved Fund Balances:				
Reserve for Revolving Cash	15,900	-	-	15,900
Reserve for Stores Inventories	12,489	-	22,398	34,887
Reserve for Legally Restricted Balance	1,200,525	-	-	1,200,525
Designated Fund Balances:				
Designated for Economic Uncertainties	1,065,858	-	-	1,065,858
Other Designated	2,076,371	2,460,870	2,980,102	7,517,343
Unreserved	25,314	-	-	25,314
Unreserved, reported in nonmajor:				
Debt Service Fund	-	-	1,101,056	1,101,056
Total Fund Balances	<u>4,396,457</u>	<u>2,460,870</u>	<u>4,103,556</u>	<u>10,960,883</u>
Total Liabilities and Fund Balances	<u>\$ 5,315,070</u>	<u>\$ 2,467,692</u>	<u>\$ 4,229,002</u>	<u>\$ 12,011,764</u>

The accompanying notes are an integral part of this statement.

ORCUTT UNION SCHOOL DISTRICT**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total fund balances - governmental funds \$ 10,960,883

In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost \$ 40,724,713

Accumulated depreciation 12,130,604

Net 28,594,109

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of net activities, it is recognized in the period that it is incurred. (260,978)

In governmental funds, debt issue costs and loss on debt refunding are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs and loss on refunding are amortized over the life of the debt. 923,205

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable \$ 13,955,000
Capital lease payable 351,443
Compensated absences payable 195,068
Loan payable 45,000

Total (14,546,511)

Total net assets - governmental activities \$ 25,670,708

The accompanying notes are an integral part of this statement.

ORCUTT UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General Fund	Capital Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 16,841,487	\$ -	\$ -	\$ 16,841,487
Local Sources	8,986,608	-	-	8,986,608
Federal Revenue	1,253,719	-	611,937	1,865,656
Other State Revenue	6,387,955	-	425,925	6,813,880
Other Local Revenue	2,296,105	574,841	1,795,804	4,666,750
Total Revenues	<u>35,765,874</u>	<u>574,841</u>	<u>2,833,666</u>	<u>39,174,381</u>
Expenditures:				
Instruction	22,184,708	-	153,752	22,338,460
Instruction - Related Services	4,416,058	-	7,501	4,423,559
Pupil Services	1,884,786	-	1,278,241	3,163,027
Ancillary Services	34,038	-	-	34,038
Community Services	966,574	-	-	966,574
General Administration	1,640,006	7,742	54,539	1,702,287
Plant Services	3,615,191	83,195	475,734	4,174,120
Other Outgo	6,776	-	-	6,776
Debt Service:				
Principal	66,200	-	380,000	446,200
Interest	15,135	-	620,923	636,058
Total Expenditures	<u>34,829,472</u>	<u>90,937</u>	<u>2,970,690</u>	<u>37,891,099</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>936,402</u>	<u>483,904</u>	<u>(137,024)</u>	<u>1,283,282</u>
Other Financing Sources (Uses):				
Transfers In	6,000	-	699,143	705,143
Transfers Out	(699,143)	(6,000)	-	(705,143)
Total Other Financing Sources (Uses)	<u>(693,143)</u>	<u>(6,000)</u>	<u>699,143</u>	<u>-</u>
Net Change in Fund Balances	243,259	477,904	562,119	1,283,282
Fund Balances, July 1	4,153,198	1,982,966	3,541,437	9,677,601
Fund Balances, June 30	<u>\$ 4,396,457</u>	<u>\$ 2,460,870</u>	<u>\$ 4,103,556</u>	<u>\$ 10,960,883</u>

The accompanying notes are an integral part of this statement.

ORCUTT UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Total net change in fund balances - governmental funds	\$ 1,283,282
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay of \$792,776 exceeds depreciation expense \$(1,076,766) in the period.	(283,990)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.	446,200
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:	593
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation used exceeded the amounts earned by \$23,668.	23,668
In governmental funds, debt issue costs and loss on debt refunding are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs and loss on refunding are amortized over the life of the debt.	(40,705)
In governmental funds, the entire proceed from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:	<u>(17,379)</u>
Change in net assets - governmental activities	<u>\$ 1,411,669</u>

The accompanying notes are an integral part of this statement.

ORCUTT UNION SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2008

	Agency Fund	Student Body Fund
ASSETS:		
Cash on Hand and in Banks	\$ 10,668	
Total Assets	10,668	
LIABILITIES:		
Due to Student Groups		10,668
Total Liabilities		10,668
NET ASSETS:		
Total Net Assets	\$ -	-

The accompanying notes are an integral part of this statement.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

B. Reporting Entity

The reporting entity is the Orcutt Union School District. There are no component units included in this report which meet the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. Government-wide statements differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation, with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the modified accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after fiscal year end.

ORCUTT UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditure related to compensated absences and claims and judgments are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. The District's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, nonmajor, and fiduciary funds as follows:

Major Governmental Funds:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under the provision of the California Environmental Quality Act (CEQA).

Nonmajor Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains five nonmajor special revenue funds:

1. The Charter School Fund is used to account for the activities of the District run Charter School, the Orcutt Academy.
2. The Child Development Fund is used to account for resources committed to child development programs maintained by the District.
3. The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeterias.
4. The Deferred Maintenance Fund is used for the purpose of major repair or replacement of the District's property.
5. The Special Reserve Fund is used to set aside funds for postemployment benefits.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

Capital Projects Funds are used to account for the acquisition and/or construction of governmental capital assets. The District maintains two nonmajor capital projects funds:

1. The Special Reserve Fund is used to set aside funds for capital projects.
2. The Building Fund is used to account for acquisition of major capital facilities and buildings.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs. The District maintains one nonmajor debt service fund.

The Bond Interest and Redemption Fund is used to account for general obligation bond interest and redemption of bond principal.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains one agency fund for the student body accounts. The funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By State law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and District Superintendent during the fiscal year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the fiscal year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

H. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 48

For the fiscal year ended June 30, 2008, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". The Statement is effective for periods beginning after December 15, 2006. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also contains provisions that apply to certain situations in which a government does not receive resources but, nevertheless, pledges or commits future cash flows generated by collecting specific future revenues. In addition, this statement establishes accounting and financial reporting standards that apply to all intra-entity transfers of assets and future revenues. Implementation of GASB Statement No. 48 did not have an impact on the District's basic financial statements for the fiscal year ended June 30, 2008.

ORCUTT UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 50

For the fiscal year ended June 30, 2008, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 50, "Pension Disclosures – an Amendment of GASB Statements No. 25 and No. 27". The Statement is effective for periods beginning after June 15, 2007. This Statement establishes and modifies requirements related to financial reporting by pension plans and by employers that provide defined benefit and defined contribution pensions.

I. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Santa Barbara County Treasury. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq.. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with the Santa Barbara County Treasury was not available.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables.

3. Inventories and Prepaid Items

Inventory is recorded using the purchase method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventory is valued at the lower of cost (first-in, first out) or market and consists of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the period purchased.

4. Amortization of Bond Expense and Bond Discounts

The cost of issuance of bonds, loss on bond refunding, and bond discount are being amortized on the straight line method over the life of the bonds on the government-wide statements.

5. Capital Assets

Capital assets are those purchased or acquired with an original costs of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the capital assets or materially extend the capital assets' lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using the straight-line basis over the following estimated useful lives.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Liabilities, and Equity (Continued)

5. Capital Assets (Continued)

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression system	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery and tools	Shop and maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science and engineering	Lab equipment, scientific apparatus	10
Furniture and accessories	Classroom and other furniture	20
Business machines	Fax, duplicating and printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PCs, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative long-term	10 to 20
Audio visual equipment	Projectors, cameras (still and digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

6. Deferred Revenue

Cash is received for federal and state special projects and programs are recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

7. Compensated Absences

All vacation pay plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

ORCUTT UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Liabilities, and Equity (Continued)

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond issuance costs are reported as prepaid expenses and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize issuance costs during the current period.

9. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The Reserve for Revolving Fund and Reserve for Inventory, reflect the portions of the fund balances represented by revolving fund cash and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

10. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each fiscal year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the State Apportionment.

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments at June 30, 2008, consisted of the following:

Cash in banks	\$ 56,737
Cash and investments with the County Treasurer	<u>8,294,675</u>
Total cash and investments	<u>\$ 8,351,412</u>

Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash in County Treasury, statement of net assets	\$ 8,294,675
Cash in revolving fund, statement of net assets	15,900
Cash on hand and in bank, statement of net assets	30,169
Cash on hand and in bank, statement of fiduciary net assets	<u>10,668</u>
Total cash and investments	<u>\$ 8,351,412</u>

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Santa Barbara County Treasury as part of the common investment pool (\$8,294,675 as of June 30, 2008). The fair value of this pool as of that date, as provided by the plan sponsor, was \$8,294,675. The District is considered to be an involuntary participant in the external pool. Interest is deposited in the participating funds. The County is restricted by Government Code Section 53635, pursuant to Section 53601 to invest in time deposits, U.S. government securities, State registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks, and in Revolving Fund

Cash balance on hand and in banks (\$40,837 as of June 30, 2008) and in the revolving fund (\$15,900) are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the County of Santa Barbara. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by fiscal agents) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Santa Barbara County Investment Pool	\$ 8,294,675	\$ 8,294,675	\$ -	\$ -	\$ -
Total	<u>\$ 8,294,675</u>	<u>\$ 8,294,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ORCUTT UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Santa Barbara County Investment Pool	<u>\$8,294,675</u>	N/A	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$8,294,675</u>
Total	<u>\$8,294,675</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$8,294,675</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2008, none of the District's deposits with financial institutions in excess of the Federal Depository Insurance Corporation limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Santa Barbara County Investment Pool).

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District's expenditures did not exceed appropriations in any individual fund.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 4 - RECEIVABLES

Receivables at June 30, 2008, consist of the following:

	General Fund	Capital Facilities Fund	Other Governmental Funds
Federal Government:			
Federal programs	\$ 529,291	\$ -	\$ 179,952
State Government:			
Apportionment	1,243,712		
Categorical aid programs	338,540		14,496
Lottery	299,839		
Local Sources:			
Developer fees		37,343	
Reimbursements	68,795		
Interest	53,082	19,285	25,705
Miscellaneous	36,821		20,419
Totals	<u>\$2,570,080</u>	<u>\$ 56,628</u>	<u>\$ 240,572</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2008, are as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General Fund	\$ 108,656	\$ 660,197
Capital Facilities Fund		6,000
Nonmajor Funds:		
Cafeteria Fund		65,553
Child Development Fund	6,039	36,309
Deferred Maintenance Fund	153,871	794
Special Reserve Fund (Special Revenue)	500,000	
Charter School Fund	287	
Totals	<u>\$ 768,853</u>	<u>\$ 768,853</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

ORCUTT UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5 - INTERFUND TRANSACTIONS (Continued)

Interfund transfers for the 2007-2008 fiscal year, are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ 6,000	\$ 699,143
Capital Facilities Fund		6,000
Nonmajor Funds:		
Deferred Maintenance Fund	199,143	
Special Reserve Fund (Special Revenue)	<u>500,000</u>	<u> </u>
Totals	<u>\$ 705,143</u>	<u>\$ 705,143</u>

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the fiscal year ended June 30, 2008, is shown below:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance June 30, 2008</u>
Capital assets, not being depreciated:					
Land	\$ 1,864,100	\$ -	\$ -	\$ -	\$ 1,864,100
Construction in progress	<u>76,246</u>	<u>533,706</u>	<u> </u>	<u>(609,952)</u>	<u> </u>
Total capital assets, not being depreciated	<u>\$ 1,940,346</u>	<u>\$ 533,706</u>	<u>\$ -</u>	<u>\$ (609,952)</u>	<u>\$ 1,864,100</u>
Capital assets, being depreciated:					
Buildings and improvements	\$35,240,946	\$ 94,620	\$ -	\$ 609,952	\$ 35,945,518
Equipment	<u>2,827,428</u>	<u>164,450</u>	<u>76,783</u>	<u> </u>	<u>2,915,095</u>
Total capital assets, being depreciated	<u>38,068,374</u>	<u>259,070</u>	<u>76,783</u>	<u>609,952</u>	<u>38,860,613</u>
Less accumulated depreciation for:					
Buildings and improvements	8,934,638	923,126			9,857,764
Equipment	<u>2,178,604</u>	<u>153,640</u>	<u>59,404</u>	<u> </u>	<u>2,272,840</u>
Total accumulated depreciation	<u>11,113,242</u>	<u>1,076,766</u>	<u>59,404</u>	<u> </u>	<u>12,130,604</u>
Total capital assets, being depreciated, net	<u>\$26,955,132</u>	<u>\$ (817,696)</u>	<u>\$ 17,379</u>	<u>\$ 609,952</u>	<u>\$ 26,730,009</u>
Net capital assets	<u>\$28,895,478</u>	<u>\$ (283,990)</u>	<u>\$ 17,379</u>	<u>\$ -</u>	<u>\$ 28,594,109</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Unallocated	<u>\$ 1,076,766</u>
Total depreciation expense	<u>\$ 1,076,766</u>

NOTE 7 – BONDED DEBT

The outstanding general obligation bonded debt of the Orcutt Union School District at June 30, 2008, is:

<u>Date Of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2007</u>	<u>Redeemed Current Fiscal Year</u>	<u>Outstanding June 30, 2008</u>
1999	4.6%-7.25%	2008	\$ 5,000,000	\$ 105,000	\$ 105,000	\$ -
2001	4.8%-7.75%	2008	5,000,000	195,000	95,000	100,000
2001	4.8%-7.0%	2031	5,000,000	4,440,000	105,000	4,335,000
2005	2.5%-4.5%	2030	<u>9,710,000</u>	<u>9,580,000</u>	<u>60,000</u>	<u>9,520,000</u>
			<u>\$ 24,710,000</u>	<u>\$ 14,320,000</u>	<u>\$ 365,000</u>	<u>\$ 13,955,000</u>

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 7 – BONDED DEBT (Continued)

The annual requirements to amortize general obligation bonds payable outstanding as of June 30, 2008, are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 380,000	\$ 599,227	\$ 979,227
2010	400,000	585,495	985,495
2011	420,000	572,120	992,120
2012	430,000	557,362	987,362
2013	435,000	540,676	975,676
2014-2118	2,510,000	2,418,145	4,928,145
2119-2123	3,085,000	1,836,541	4,921,541
2124-2028	3,860,000	1,067,111	4,927,111
2029-2031	<u>2,435,000</u>	<u>182,709</u>	<u>2,617,709</u>
Totals	<u>\$13,955,000</u>	<u>\$ 8,359,386</u>	<u>\$ 22,314,386</u>

NOTE 8 - CAPITAL LEASE PAYABLE

The District is leasing real property valued at \$674,500, under an agreement which provides for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Lease Payment</u>
2009	\$ 81,335
2010	81,335
2011	81,335
2012	81,335
2013	<u>61,001</u>
Total	386,341
Less amount representing interest	<u>(34,898)</u>
Present value of net minimum lease payments	<u>\$ 351,443</u>

NOTE 9 – LOAN PAYABLE

On November 1, 2001, the District received a \$150,000 loan from the State of California Child Care Revolving Loan to improve facilities at May Grisham School. Interest rate on the loan is 0% and the District is to make annual payments of \$15,000 beginning March 1, 2002. Balance of the loan at June 30, 2008, is \$45,000. Future loan payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal Payment</u>
2009	\$ 15,000
2010	15,000
2011	<u>15,000</u>
Total	<u>\$ 45,000</u>

NOTE 10 – DEFEASED DEBT

On February 24, 2005, the District defeased \$8,780,000 of the 1999 and 2001 general obligation bonds from proceeds of the 2005 general obligation bond issue. The District placed \$9,417,962 in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The bonds are considered to be defeased and the related liability has been removed from the government-wide financial statements. The amount of bonds considered defeased at June 30, 2008, is \$4,245,000.

ORCUTT UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 11 – LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the fiscal year ended June 30, 2008, is shown below:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due within One Year
Compensated absences	\$ 218,736	\$ -	\$ 23,668	\$ 195,068	\$ -
Bonds payable	14,320,000		365,000	13,955,000	380,000
Capital lease	417,643		66,200	351,443	68,786
Loan payable	60,000		15,000	45,000	15,000
Totals	<u>\$ 15,016,379</u>	<u>\$ -</u>	<u>\$ 469,868</u>	<u>\$ 14,546,511</u>	<u>\$ 463,786</u>

NOTE 12 - JOINT VENTURES (Joint Powers Agreements)

The Orcutt Union School District participates in three joint ventures under joint powers agreements (JPA's); the Self-Insurance Program for Employees, the Self-Insured Schools of California II, and the Self-Insured Schools of California III. The relationship between the Orcutt Union School District and the JPA's are such that none of the JPAs are a component unit of the Orcutt Union School District for financial reporting purposes.

The JPAs are independently accountable for their fiscal matters. The insurance groups maintain their own accounting records. Budgets are not subject to any approval other than of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

Self-Insurance Program for Employees (S.I.P.E.)

S.I.P.E. was established to provide the services and other items necessary and appropriate for the development, operation and maintenance of a self-insurance system for workers' compensation claims against the public educational agencies who are members thereof. The participants consist of the Office of the County Superintendent of Schools, school districts, and a community college. Each participant may appoint one representative to the governing board. The governing board is responsible for establishing premium rates and making budgeting decisions.

Self-Insured School of California II (S.I.S.C. II)

S.I.S.C. II arranges for and provides property and liability insurance for its member school districts. The Orcutt Union School District pays a premium commensurate with the level of coverage requested.

Self-Insured School of California III (S.I.S.C. III)

S.I.S.C III arranges for and provides health and welfare insurance for its member school districts. The Orcutt Union School District pays a premium commensurate with the level of health and welfare insurance provided.

Condensed financial information for the above JPA's for the fiscal year ended June 30, 2008, was not available as of the audit report date.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Litigation

According to the District's staff and attorney, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 14 – EMPLOYEES' RETIREMENT SYSTEMS

State Teachers' Retirement System (STRS)

Plan Description

The Orcutt Union School District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The Plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS' annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the Orcutt Union School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008, was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The Orcutt Union School District's contributions to STRS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$1,450,599, \$1,417,593, and \$1,332,721, respectively, and equal 100% of the required contributions for each fiscal year.

California Public Employees' Retirement System (CalPERS)

Plan Description

The Orcutt Union School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the Orcutt Union School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2007-2008, was 9.306% of annual payroll. The contribution requirements of the plan members are established by State statute. The Orcutt Union School District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$428,436, \$401,651, and \$381,692, respectively, and equal 100% of the required contributions for each fiscal year.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS

The District provides, by resolution, an additional postemployment benefit to Length-of-Service retirees. The District pays for 100 percent of this benefit on a pay-as-you-go basis. During the fiscal year ended June 30, 2008, the District paid \$177,397 to 29 eligible retirees.

NOTE 16 - STUDENT BODY FUNDS

The student body funds often engage in activities, which involve cash transactions. These transactions were not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts.

NOTE 17 – NET ASSETS

The government-wide and fiduciary funds financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted, and unrestricted.

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

ORCUTT UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 17 – NET ASSETS (Continued)

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents net assets of the District, not restricted for any project or other purpose.

NOTE 18 – SUBSEQUENT EVENT

Effective July 1, 2008, the Casmalia School District was merged into the Orcutt Union School District.

The Orcutt Union School District opened the Orcutt Academy, a K-12 Charter School, pursuant to Education Code Section 47605, effective August 27, 2008. The financial activities of the Orcutt Academy Charter School are presented as a special revenue fund of the District.

REQUIRED SUPPLEMENTARY INFORMATION

ORCUTT UNION SCHOOL DISTRICT
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 16,777,905	\$ 16,632,002	\$ 16,841,487	\$ 209,485
Local Sources	9,062,026	9,104,732	8,986,608	(118,124)
Federal Revenue	1,079,643	1,285,873	1,253,719	(32,154)
Other State Revenue	5,997,915	6,197,922	6,387,955	190,033
Other Local Revenue	1,187,615	2,074,762	2,296,105	221,343
Total Revenues	<u>34,105,104</u>	<u>35,295,291</u>	<u>35,765,874</u>	<u>470,583</u>
Expenditures:				
Instruction	20,890,246	23,664,405	22,184,708	1,479,697
Instruction - Related Services	4,424,823	4,863,028	4,416,058	446,970
Pupil Services	1,704,628	1,960,366	1,884,786	75,580
Ancillary Services	35,811	50,982	34,038	16,944
Community Services	845,710	970,453	966,574	3,879
General Administration	1,803,105	1,869,845	1,640,006	229,839
Plant Services	3,450,173	3,667,448	3,615,191	52,257
Other Outgo	-	6,805	6,776	29
Debt Service:				
Principal	66,162	66,162	66,200	(38)
Interest	15,173	15,173	15,135	38
Total Expenditures	<u>33,235,831</u>	<u>37,134,667</u>	<u>34,829,472</u>	<u>2,305,195</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>869,273</u>	<u>(1,839,376)</u>	<u>936,402</u>	<u>2,775,778</u>
Other Financing Sources (Uses):				
Transfers In	-	6,000	6,000	-
Transfers Out	(382,337)	(699,143)	(699,143)	-
Other Uses	(22,493)	-	-	-
Total Other Financing Sources (Uses)	<u>(404,830)</u>	<u>(693,143)</u>	<u>(693,143)</u>	<u>-</u>
Net Change in Fund Balance	464,443	(2,532,519)	243,259	2,775,778
Fund Balance, July 1	4,153,198	4,153,198	4,153,198	-
Fund Balance, June 30	<u>\$ 4,617,641</u>	<u>\$ 1,620,679</u>	<u>\$ 4,396,457</u>	<u>\$ 2,775,778</u>

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SUPPLEMENTARY INFORMATION SECTION

ORCUTT UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2008

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 1,596,733	\$ 1,092,976	\$ 595,264	\$ 3,284,973
Cash on Hand and in Banks	20,862	-	-	20,862
Accounts Receivable	227,637	8,080	4,855	240,572
Due from Other Funds	660,197	-	-	660,197
Stores Inventories	22,398	-	-	22,398
Total Assets	<u>\$ 2,527,827</u>	<u>\$ 1,101,056</u>	<u>\$ 600,119</u>	<u>\$ 4,229,002</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 14,959	\$ -	\$ 7,831	\$ 22,790
Due to Other Funds	102,656	-	-	102,656
Total Liabilities	<u>117,615</u>	<u>-</u>	<u>7,831</u>	<u>125,446</u>
Fund Balances:				
Reserved Fund Balances:				
Reserve for Stores Inventories	22,398	-	-	22,398
Designated Fund Balances:				
Other Designated	2,387,814	-	592,288	2,980,102
Unreserved, reported in nonmajor:				
Debt Service Fund	-	1,101,056	-	1,101,056
Total Fund Balances	<u>2,410,212</u>	<u>1,101,056</u>	<u>592,288</u>	<u>4,103,556</u>
Total Liabilities and Fund Balances	<u>\$ 2,527,827</u>	<u>\$ 1,101,056</u>	<u>\$ 600,119</u>	<u>\$ 4,229,002</u>

ORCUTT UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Federal Revenue	\$ 611,937	\$ -	\$ -	\$ 611,937
Other State Revenue	409,941	15,984	-	425,925
Other Local Revenue	737,021	1,009,205	49,578	1,795,804
Total Revenues	<u>1,758,899</u>	<u>1,025,189</u>	<u>49,578</u>	<u>2,833,666</u>
Expenditures:				
Instruction	153,752	-	-	153,752
Instruction - Related Services	7,501	-	-	7,501
Pupil Services	1,278,241	-	-	1,278,241
General Administration	54,539	-	-	54,539
Plant Services	426,715	-	49,019	475,734
Debt Service:				
Principal	15,000	365,000	-	380,000
Interest	-	620,923	-	620,923
Total Expenditures	<u>1,935,748</u>	<u>985,923</u>	<u>49,019</u>	<u>2,970,690</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(176,849)</u>	<u>39,266</u>	<u>559</u>	<u>(137,024)</u>
Other Financing Sources (Uses):				
Transfers In	699,143	-	-	699,143
Total Other Financing Sources (Uses)	<u>699,143</u>	<u>-</u>	<u>-</u>	<u>699,143</u>
Net Change in Fund Balances	522,294	39,266	559	562,119
Fund Balances, July 1	1,887,918	1,061,790	591,729	3,541,437
Fund Balances, June 30	<u>\$ 2,410,212</u>	<u>\$ 1,101,056</u>	<u>\$ 592,288</u>	<u>\$ 4,103,556</u>

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ORCUTT UNION SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2008

	Charter School Fund	Child Development Fund
ASSETS:		
Cash in County Treasury	\$ -	\$ 29,632
Cash on Hand and in Banks	-	-
Accounts Receivable	-	863
Due from Other Funds	287	6,039
Stores Inventories	-	-
Total Assets	<u>\$ 287</u>	<u>\$ 36,534</u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 287	\$ 225
Due to Other Funds	-	36,309
Total Liabilities	<u>287</u>	<u>36,534</u>
Fund Balances:		
Reserved Fund Balances:		
Reserve for Stores Inventories	-	-
Designated Fund Balances:		
Other Designated	-	-
Total Fund Balance	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 287</u>	<u>\$ 36,534</u>

Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund	Total Nonmajor Special Revenue Funds
\$ 603,463	\$ 418,553	\$ 545,085	\$ 1,596,733
20,862	-	-	20,862
220,290	1,913	4,571	227,637
-	153,871	500,000	660,197
22,398	-	-	22,398
\$ 867,013	\$ 574,337	\$ 1,049,656	\$ 2,527,827
\$ 2,386	\$ 12,061	\$ -	\$ 14,959
65,553	794	-	102,656
67,939	12,855	-	117,615
22,398	-	-	22,398
776,676	561,482	1,049,656	2,387,814
799,074	561,482	1,049,656	2,410,212
\$ 867,013	\$ 574,337	\$ 1,049,656	\$ 2,527,827

ORCUTT UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Charter School Fund	Child Development Fund
Revenues:		
Federal Revenue	\$ -	\$ -
Other State Revenue	-	174,126
Other Local Revenue	-	2,127
Total Revenues	-	176,253
Expenditures:		
Instruction	-	153,752
Instruction - Related Services	-	7,501
Pupil Services	-	-
General Administration	-	-
Plant Services	-	-
Debt Service:		
Principal	-	15,000
Total Expenditures	-	176,253
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-
Other Financing Sources (Uses):		
Transfers In	-	-
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balances	-	-
Fund Balances, July 1	-	-
Fund Balances, June 30	\$ -	\$ -

Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund	Total Nonmajor Special Revenue Funds
\$ 611,937	\$ -	\$ -	\$ 611,937
54,152	181,663	-	409,941
706,596	8,212	20,086	737,021
<u>1,372,685</u>	<u>189,875</u>	<u>20,086</u>	<u>1,758,899</u>
-	-	-	153,752
-	-	-	7,501
1,278,241	-	-	1,278,241
54,539	-	-	54,539
28,742	397,973	-	426,715
-	-	-	15,000
<u>1,361,522</u>	<u>397,973</u>	<u>-</u>	<u>1,935,748</u>
11,163	(208,098)	20,086	(176,849)
-	199,143	500,000	699,143
-	<u>199,143</u>	<u>500,000</u>	<u>699,143</u>
11,163	(8,955)	520,086	522,294
787,911	570,437	529,570	1,887,918
<u>\$ 799,074</u>	<u>\$ 561,482</u>	<u>\$ 1,049,656</u>	<u>\$ 2,410,212</u>

ORCUTT UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Charter School Fund	Child Development Fund
Revenues:		
Federal Revenue	\$ -	\$ -
Other State Revenue	-	174,126
Other Local Revenue	-	2,127
Total Revenues	-	176,253
Expenditures:		
Instruction	-	153,752
Instruction - Related Services	-	7,501
Pupil Services	-	-
General Administration	-	-
Plant Services	-	-
Debt Service:		
Principal	-	15,000
Total Expenditures	-	176,253
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-
Other Financing Sources (Uses):		
Transfers In	-	-
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balances	-	-
Fund Balances, July 1	-	-
Fund Balances, June 30	\$ -	\$ -

Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund	Total Nonmajor Special Revenue Funds
\$ 611,937	\$ -	\$ -	\$ 611,937
54,152	181,663	-	409,941
706,596	8,212	20,086	737,021
<u>1,372,685</u>	<u>189,875</u>	<u>20,086</u>	<u>1,758,899</u>
-	-	-	153,752
-	-	-	7,501
1,278,241	-	-	1,278,241
54,539	-	-	54,539
28,742	397,973	-	426,715
-	-	-	15,000
<u>1,361,522</u>	<u>397,973</u>	<u>-</u>	<u>1,935,748</u>
11,163	(208,098)	20,086	(176,849)
-	199,143	500,000	699,143
-	<u>199,143</u>	<u>500,000</u>	<u>699,143</u>
11,163	(8,955)	520,086	522,294
787,911	570,437	529,570	1,887,918
<u>\$ 799,074</u>	<u>\$ 561,482</u>	<u>\$ 1,049,656</u>	<u>\$ 2,410,212</u>

ORCUTT UNION SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2008

	Building Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds
ASSETS:			
Cash in County Treasury	\$ 1	\$ 595,263	\$ 595,264
Accounts Receivable	-	4,855	4,855
Total Assets	<u>\$ 1</u>	<u>\$ 600,118</u>	<u>\$ 600,119</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ -	\$ 7,831	\$ 7,831
Total Liabilities	<u>-</u>	<u>7,831</u>	<u>7,831</u>
Fund Balances:			
Designated Fund Balances:			
Other Designated	1	592,287	592,288
Total Fund Balances	<u>1</u>	<u>592,287</u>	<u>592,288</u>
Total Liabilities and Fund Balances	<u>\$ 1</u>	<u>\$ 600,118</u>	<u>\$ 600,119</u>

ORCUTT UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Building Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds
Revenues:			
Other Local Revenue	\$ 1	\$ 49,577	\$ 49,578
Total Revenues	<u>1</u>	<u>49,577</u>	<u>49,578</u>
Expenditures:			
Plant Services	-	49,019	49,019
Total Expenditures	<u>-</u>	<u>49,019</u>	<u>49,019</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1</u>	<u>558</u>	<u>559</u>
Net Change in Fund Balances	1	558	559
Fund Balances, July 1	-	591,729	591,729
Fund Balances, June 30	<u>\$ 1</u>	<u>\$ 592,287</u>	<u>\$ 592,288</u>

ORCUTT UNION SCHOOL DISTRICT
 CHARTER SCHOOL FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Total Revenues	\$ -	\$ -	\$ -
Expenditures:			
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
Net Change in Fund Balance	-	-	-
Fund Balance, July 1	-	-	-
Fund Balance, June 30	\$ -	\$ -	\$ -

ORCUTT UNION SCHOOL DISTRICT
 CHILD DEVELOPMENT FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	\$ 171,260	\$ 174,126	\$ 2,866
Other Local Revenue	9,375	2,127	(7,248)
Total Revenues	<u>180,635</u>	<u>176,253</u>	<u>(4,382)</u>
Expenditures:			
Instruction	157,974	153,752	4,222
Instruction - Related Services	7,661	7,501	160
Debt Service:			
Principal	15,000	15,000	-
Total Expenditures	<u>180,635</u>	<u>176,253</u>	<u>4,382</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-
Fund Balance, July 1	-	-	-
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ORCUTT UNION SCHOOL DISTRICT
 CAFETERIA FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal Revenue	\$ 555,076	\$ 611,937	\$ 56,861
Other State Revenue	57,736	54,152	(3,584)
Other Local Revenue	704,587	706,596	2,009
Total Revenues	<u>1,317,399</u>	<u>1,372,685</u>	<u>55,286</u>
Expenditures:			
Pupil Services	1,389,669	1,278,241	111,428
General Administration	55,934	54,539	1,395
Plant Services	23,774	28,742	(4,968)
Total Expenditures	<u>1,469,377</u>	<u>1,361,522</u>	<u>107,855</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(151,978)</u>	<u>11,163</u>	<u>163,141</u>
Net Change in Fund Balance	(151,978)	11,163	163,141
Fund Balance, July 1	787,911	787,911	-
Fund Balance, June 30	<u>\$ 635,933</u>	<u>\$ 799,074</u>	<u>\$ 163,141</u>

ORCUTT UNION SCHOOL DISTRICT
 DEFERRED MAINTENANCE FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	\$ 194,921	\$ 181,663	\$ (13,258)
Other Local Revenue	15,000	8,212	(6,788)
Total Revenues	<u>209,921</u>	<u>189,875</u>	<u>(20,046)</u>
Expenditures:			
Plant Services	935,973	397,973	538,000
Total Expenditures	<u>935,973</u>	<u>397,973</u>	<u>538,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(726,052)</u>	<u>(208,098)</u>	<u>517,954</u>
Other Financing Sources (Uses):			
Transfers In	199,143	199,143	-
Total Other Financing Sources (Uses)	<u>199,143</u>	<u>199,143</u>	<u>-</u>
Net Change in Fund Balance	(526,909)	(8,955)	517,954
Fund Balance, July 1	570,437	570,437	-
Fund Balance, June 30	<u>\$ 43,528</u>	<u>\$ 561,482</u>	<u>\$ 517,954</u>

ORCUTT UNION SCHOOL DISTRICT
 SPECIAL RESERVE FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	\$ 20,500	\$ 20,086	\$ (414)
Total Revenues	<u>20,500</u>	<u>20,086</u>	<u>(414)</u>
Expenditures:			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>20,500</u>	<u>20,086</u>	<u>(414)</u>
Other Financing Sources (Uses):			
Transfers In	500,000	500,000	-
Total Other Financing Sources (Uses)	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Net Change in Fund Balance	520,500	520,086	(414)
Fund Balance, July 1	529,570	529,570	-
Fund Balance, June 30	<u>\$ 1,050,070</u>	<u>\$ 1,049,656</u>	<u>\$ (414)</u>

ORCUTT UNION SCHOOL DISTRICT
 BOND INTEREST AND REDEMPTION FUND
 DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	\$ 15,705	\$ 15,984	\$ 279
Other Local Revenue	1,000,939	1,009,205	8,266
Total Revenues	<u>1,016,644</u>	<u>1,025,189</u>	<u>8,545</u>
Expenditures:			
Debt Service:			
Principal	365,000	365,000	-
Interest	640,983	620,923	20,060
Total Expenditures	<u>1,005,983</u>	<u>985,923</u>	<u>20,060</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,661</u>	<u>39,266</u>	<u>28,605</u>
Net Change in Fund Balance	10,661	39,266	28,605
Fund Balance, July 1	1,061,790	1,061,790	-
Fund Balance, June 30	<u>\$ 1,072,451</u>	<u>\$ 1,101,056</u>	<u>\$ 28,605</u>

ORCUTT UNION SCHOOL DISTRICT
 BUILDING FUND
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	\$ -	\$ 1	\$ 1
Total Revenues	-	1	1
Expenditures:			
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	1	1
Net Change in Fund Balance	-	1	1
Fund Balance, July 1	-	-	-
Fund Balance, June 30	\$ -	\$ 1	\$ 1

ORCUTT UNION SCHOOL DISTRICT
 SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	\$ 25,000	\$ 49,577	\$ 24,577
Total Revenues	<u>25,000</u>	<u>49,577</u>	<u>24,577</u>
Expenditures:			
Plant Services	143,629	49,019	94,610
Total Expenditures	<u>143,629</u>	<u>49,019</u>	<u>94,610</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(118,629)</u>	<u>558</u>	<u>119,187</u>
Net Change in Fund Balance	(118,629)	558	119,187
Fund Balance, July 1	591,729	591,729	-
Fund Balance, June 30	<u>\$ 473,100</u>	<u>\$ 592,287</u>	<u>\$ 119,187</u>

ORCUTT UNION SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2008

During the fiscal year, the District has eight elementary schools with grades kindergarten through eighth.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Janet Zilli	President	2008
Kathleen Meissner	Clerk	2008
Rob Buchanan	Member	2010
Robert Hatch	Member	2010
Dr. James Peterson	Member	2010

ADMINISTRATION

Sharon McHolland, Ed. D.
District Superintendent

Kenneth Parker, Ed. D.
Associate Superintendent, Instructional Services

Marysia Ochej
Assistant Superintendent, Business Services

Jan Yanagisako
Assistant Superintendent, Personnel

ORCUTT UNION SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary		
Kindergarten	423.66	424.24
Grades one through three	1,326.21	1,327.07
Grades four through six	1,534.17	1,537.99
Grades seven and eight	1,046.50	1,047.53
Special education	85.03	84.44
Home or hospital	<u>1.20</u>	<u>.90</u>
Elementary totals	<u>4,416.77</u>	<u>4,422.17</u>

Supplemental Instructional Hours

Hours of
Attendance

Elementary

54,688

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2007-2008 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	31,500	36,000	36,200	181	In compliance
Grade 1	42,875	50,400	50,740	181	In compliance
Grade 2	42,875	50,400	50,740	181	In compliance
Grade 3	42,875	50,400	50,740	181	In compliance
Grade 4	54,425	54,000	54,643	181	In compliance
Grade 5	54,425	54,000	54,643	181	In compliance
Grade 6	54,425	54,000	54,643	181	In compliance
Grade 7	54,425	54,000	56,809	181	In compliance
Grade 8	54,425	54,000	57,820	181	In compliance

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 minutes requirement, whichever is greater by Education Code Section 46201.

The District has received incentive funding for increasing instructional time as provided by the Incentive for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

ORCUTT UNION SCHOOL DISTRICT

SCHEDULE OF EXCESS SICK LEAVE

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The following disclosure is made for excess sick leave as the term is defined in subdivision (c) of Education Code Section 22170.5:

<u>Titles of Employees Exhibiting Excess Sick Leave</u>	<u>Is Excess Sick Leave Authorized By Employee's Contract?</u>	<u>Was Excess Sick Leave Found To Be Accrued For Employee?</u>	<u>Contract Authorizing Excess Sick Leave</u>	<u>Is Excess Sick Leave Authorized In Teachers' Contract?</u>
Superintendent	No	N/A	N/A	N/A
Principal	No	N/A	N/A	N/A

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>General Fund</u>	<u>(Budget) 2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues and other financial sources	\$ <u>33,037,759</u>	\$ <u>35,771,874</u>	\$ <u>35,375,695</u>	\$ <u>31,739,735</u>
Expenditures	<u>32,959,721</u>	<u>34,829,472</u>	<u>33,438,867</u>	<u>31,768,208</u>
Other uses and transfers out	<u>199,433</u>	<u>699,143</u>	<u>1,053,066</u>	<u>1,043,644</u>
Total outgo	<u>33,159,154</u>	<u>35,528,615</u>	<u>34,491,933</u>	<u>32,811,852</u>
Change in fund balance	<u>(121,395)</u>	<u>243,259</u>	<u>883,762</u>	<u>(1,072,117)</u>
Ending fund balance	\$ <u>4,275,062</u>	\$ <u>4,396,457</u>	\$ <u>4,153,198</u>	\$ <u>3,269,436</u>
Available reserves	\$ <u>3,023,803</u>	\$ <u>3,167,453</u>	\$ <u>4,102,469</u>	\$ <u>3,218,707</u>
Designated for economic uncertainties	\$ <u>994,775</u>	\$ <u>1,065,858</u>	\$ <u>1,034,685</u>	\$ <u>960,081</u>
Undesignated fund balance	\$ <u>25,314</u>	\$ <u>25,314</u>	\$ <u>219,204</u>	\$ <u>53,664</u>
Available reserves as a percentage of total outgo	9.1%	8.9%	11.9%	9.8%
Total long-term debt	\$ <u>14,082,725</u>	\$ <u>14,546,511</u>	\$ <u>15,016,379</u>	\$ <u>15,413,198</u>
Average daily attendance at P-2	4,232	4,417	4,556	4,560

This schedule discloses the District's financial trends by displaying past fiscal years' data along with current fiscal year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

The General Fund balance has increased by \$1,127,021 over the past two fiscal years. The fiscal year 2008-09 budget projects a decrease of \$121,395. For a District this size, the State recommends available reserve of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in two of the past three fiscal years, and anticipates a deficit during the 2008-09 fiscal year. Total long-term debt has decreased by \$866,687 over the past two fiscal years.

Average daily attendance has decreased by 143 over the past two fiscal years. A decrease of 185 ADA is anticipated during the fiscal year 2008-09.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal Catalog Number</u>	<u>Federal Expenditures</u>
Federal Programs:		
U.S. Department of Education:		
Passed through the California		
Department of Education:		
Title I	84.010	\$ 232,770
Title V	84.298	4,597
Safe and Drug Free Schools and Communities	84.186	18,465
Special Education	84.027	677,997
English Language Acquisition	84.365	41,576
Improving Teacher Quality	84.367	115,241
Enhancing Education Through Technology	84.318	9,779
Charter School Grant	84.282	<u>153,294</u>
Total U.S. Department of Education		<u>1,253,719</u>
U.S. Department of Agriculture:		
Passed through the California		
Department of Education:		
National School Lunch	10.555	537,780
National School Breakfast	10.553	<u>74,157</u>
Total U.S. Department of Agriculture		<u>611,937</u>
Total expenditures of federal awards		<u><u>\$ 1,865,656</u></u>

The accompanying note is an integral part of this schedule.

ORCUTT UNION SCHOOL DISTRICT
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Orcutt Union School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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ORCUTT UNION SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS JUNE 30, 2008

	General Fund	Deferred Maintenance Fund	Cafeteria Fund
June 30, 2008, Annual Financial and Budget Report Fund Balances	\$ 4,396,457	\$ 561,482	\$ 802,390
Overstatement of cash in bank			(3,316)
June 30, 2008, Audited Financial Statements Fund Balances	<u>\$ 4,396,457</u>	<u>\$ 561,482</u>	<u>\$ 799,074</u>

	Long-Term Debt
June 30, 2008 Annual Financial and Budget Report Total Liabilities	<u>\$ 14,546,511</u>
June 30, 2008, Audited Financial Statements Long-Term Debt	<u>\$ 14,546,511</u>

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities as reported on the annual financial and budget report to the audited financial statements.

Capital Facilities Fund	Child Development Fund	(Capital Projects) Special Reserve Fund	Building Fund	Bond Interest and Redemption Fund	(Special Revenue) Special Reserve Fund
\$ 2,460,870	\$ -	\$ 592,287	\$ 1	\$ 1,101,056	\$ 1,049,656
<u>\$ 2,460,870</u>	<u>\$ -</u>	<u>\$ 592,287</u>	<u>\$ 1</u>	<u>\$ 1,101,056</u>	<u>\$ 1,049,656</u>



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AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Orcutt Union School District
Orcutt, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orcutt Union School District (the District) as of and for the fiscal year ended June 30, 2008, which collectively comprise the Orcutt Union School District's basic financial statements and have issued our report thereon dated December 8, 2008. In our report, our opinion was qualified because of the lack of certain internal control procedures and supporting records for the fiduciary fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over financial reporting that we described in the Findings and Recommendations Section of this report. We did not audit Orcutt Union School District's responses and, accordingly, we express no opinion on them.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, State Controller's Office, Department of Finance, and the Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

MOSS, LEVY & HARTHZEIM LLP

Moss, Levy & Harthzeim LLP

December 8, 2008



MOSS, LEVY & HARTZHEIM LLP

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AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Orcutt Union School District
Orcutt, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orcutt Union School District as of and for the fiscal year ended June 30, 2008, which collectively comprise the Orcutt Union School District's basic financial statements and have issued our report thereon dated December 8, 2008. In our report, our opinion was qualified because of the lack of certain internal control procedures and supporting records for the fiduciary fund. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in Panel's Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	8	Yes
Kindergarten continuation	3	Yes
Independent study	23	No (see next page)
Continuation education	10	Not applicable
Adult education	9	Not applicable
Regional occupational centers/programs	6	Not applicable
Incentive for longer instructional day:		
School districts	6	Yes
County offices of education	3	Not applicable
Gann limit calculation	1	Yes
Early retirement incentive program	4	Not applicable
Community day schools	9	Not applicable
Morgan-Hart class size reduction	7	Not applicable

<u>Description</u>	<u>Procedures in Panel's Audit Guide</u>	<u>Procedures Performed</u>
Mathematics and Reading Professional Development	4	Not applicable
Classroom teacher salaries	1	Yes
Class size reduction:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not applicable
Only one school serving K-3	4	Not applicable
Instructional materials fund:		
General requirements	12	Yes
K-8	1	Yes
9-12	1	Not applicable
Office of Criminal Justice Planning	-	Not applicable
Ratios of administrative employees to teachers	1	Yes
School construction funds:		
School district bonds	3	Yes
State school facilities funds	1	Not applicable
Proposition 20 lottery funds (Cardenas Textbook Act Of 2000)	2	Yes
California school age families education (Cal-Safe) program	3	Not applicable
State lottery funds (California State Lottery Act of 1984)	2	Yes
School accountability report card	3	Yes
Contemporaneous records of attendance, for charter schools	1	Not applicable
Nonclassroom-based instruction independent study, for charter schools	15	Not applicable
Mode of instruction, for charter schools	1	Not applicable
Determination of funding for nonclassroom-based instruction, for charter schools	3	Not applicable
Annual instructional minutes – classroom based, for charter schools	3	Not applicable
Excess sick leave	3	Yes
Notice to elect California State Teachers' Retirement System (CalSTRS) membership	1	Yes
After school education and safety program:		
General requirements	4	Not applicable
After school	4	Not applicable
Before school	5	Not applicable

We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

Based on our audit, we found that, for the items tested, the Orcutt Union School District complied with the State laws and regulations referred to above, except as described in the Findings and Recommendations Section of this report. We did not audit Orcutt Union School District's responses, and accordingly, we express no opinion on them. Further, based on our examination, for the items not tested, nothing came to our attention to indicate that the Orcutt Union School District had not complied with the State laws and regulations.

This report is intended solely for the information and use of the audit committee, management, State Controller's Office, Department of Finance, and Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

MOSS, LEVY & HARTHZEIM LLP

Moss, Levy & Harthzeim LLP

December 8, 2008



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AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133

Board of Trustees
Orcutt Union School District
Orcutt, California

Compliance

We have audited the compliance of the Orcutt Union School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. Orcutt Union School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Orcutt Union School District's management. Our responsibility is to express an opinion on the Orcutt Union School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Orcutt Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination on the Orcutt Union School District's compliance with those requirements.

In our opinion, the Orcutt Union School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

The management of the Orcutt Union School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Orcutt Union School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Orcutt Union School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, State Controller's Office, Department of Finance, Department of Education, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

MOSS, LEVY & HARTHZEIM LLP

Moss, Levy & Harthzeim LLP

December 8, 2008

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FINDINGS AND RECOMMENDATIONS SECTION

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Qualified

Internal control over financial reporting:

Material weaknesses identified?

_____ Yes X No

Significant deficiencies identified not considered
to be material weaknesses?

X Yes _____ None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weaknesses identified?

_____ Yes X No

Significant deficiencies identified not considered
to be material weaknesses?

_____ Yes X None reported

Type of auditor's report issued on compliance for
major programs:

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510 (a)

_____ Yes X No

Identification of major programs

CFDA Number (s)

Name of Federal Program or Cluster

84.027

Special Education

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as low-risk auditee:

X Yes _____ No

State Awards

Internal control over state programs:

Material weaknesses identified?

_____ Yes X No

Significant deficiencies identified not considered
to be material weaknesses?

X Yes _____ None reported

Type of auditor's report issued on compliance for
state programs:

Qualified

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section II – Financial Statements Findings

FINDING 2008-1
PAYROLL
30000

FINDING:

Testing of internal controls revealed one instance of an employee's personnel action form not retained.

RECOMMENDATION:

The District should retain a copy of the personnel action form.

DISTRICT'S CORRECTIVE ACTION PLAN:

A copy of the personnel action form is retained for each employee in the Payroll Office and the original personnel action form is retained in the Human Resources Department.

FINDING 2008-2
GENERAL RECEIPTS – FUNDRAISING-YEARBOOK SALES
LAKEVIEW
30000

FINDING:

Testing of internal controls revealed instances of insufficient documentation. The documentation consists of an "Audit Requirement form" which details money collected. There is no documentation of the number of items, tickets, etc., sold.

RECOMMENDATION:

Appropriate documentation for fundraising functions should include a reconciliation of items sold to monies collected.

DISTRICT'S CORRECTIVE ACTION PLAN:

The District is revising sample forms for school sites to use when reconciling items sold to monies collected for fundraising activities and will provide training to school site personnel on acceptable documentation of items sold.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

FINDING 2008-3
FUNDRAISING – ASB CARD SALES
ORCUTT JUNIOR HIGH
30000

FINDING:

Records concerning ASB Card Sales were incomplete. We were unable to determine and reconcile the number of cards sold to money collected.

RECOMMENDATION:

The District should improve the internal control structure concerning the student body fundraising activities.

DISTRICT'S CORRECTIVE ACTION PLAN:

The District has created sample forms for school site use when reconciling items sold to monies collected for fundraising activities. School site ASB advisors have attended training sponsored by FCMAT on Associated Student Body activities.

FINDING 2008-4
CAFETERIA RECEIPTS
30000

FINDING:

Testing of internal controls revealed that employees with cash collection duties also have the ability to void transactions within mealtime.

RECOMMENDATION:

The District should improve the internal control structure concerning the cafeteria receipts activities.

DISTRICT'S CORRECTIVE ACTION PLAN:

The Child Nutrition Accounting Clerk will run a report and reconciliation on all voided transactions on a monthly basis.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section III – Federal Award Findings and Questioned Costs

There were no Federal award findings and questioned costs.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section IV – State Award Findings and Questioned Costs

FINDING 2008-5
ATTENDANCE
10000

CRITERIA:

The attendance system (IST) used at the beginning of month five was not approved by the California Department of Education.

QUESTIONED COSTS:

\$0

RECOMMENDATION:

The District should have an attendance system approved by the State prior to implementing a new system.

DISTRICT'S CORRECTIVE ACTION PLAN:

The District's attendance system (IST) was officially approved by the California Department of Education on May 19, 2008.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

FINDING 2008-6
ATTENDANCE
ALICE SHAW
10000

CRITERIA:

Monthly summaries should reconcile to the data origination documentation.

CONDITION:

Site attendance from months one to four could not be verified to the origination documentation.

EFFECT:

Unknown

CAUSE:

Daily attendance was manually recorded daily by each teacher during the first four attendance months. Upon having the ability to input daily attendance into the new computerized attendance system (IST), the site input months one through four using the manually recorded daily attendance forms. The site later disposed of the original documentation for the first four months. IST was technically not fully operational until attendance month five; therefore, the manual attendance forms take precedence during the first four attendance months as original documentation. As a result, the inputted data could not be verified.

QUESTIONED COSTS:

Unknown. If all ADA was disallowed for the first four months for Alice Shaw (with the assumption of zero ADA): (592.20 @ \$5,542.65 per ADA)(4MO/10MO) equals \$1,312,943.

RECOMMENDATION:

The District should retain all original attendance documentation.

DISTRICT'S CORRECTIVE ACTION PLAN:

Teachers at Alice Shaw School verified their manual input before office personnel entered the information into the IST attendance system. Alice Shaw School personnel checked the absences entered against those that were done manually before disposing of the manual forms, thus school personnel feel confident that the data entry was done correctly. Because they were sure of the input for those first four months, and because month five and beyond were kept electronically, school personnel did not think the manual forms needed to be kept and without checking with district administration, disposed of the manual forms.

As Alice Shaw School has been accurate from years past, the district feels that their electronic input is accurate. Previous years ADA and Enrollment for Alice Shaw School as compared to the 2007/08 school year is as follows:

Year	Enrollment	ADA	Percent of Enrollment to ADA
2003/04	595	571.68	96.10
2004/05	577	553.19	95.87
2005/06	603	576.69	95.64
2006/07	601	574.66	95.62
2007/08	609	582.57	95.66

With the above information being within acceptable parameters from year to year, and correct reports generated by the IST system, the District's administration has confidence that the ADA reported for Alice Shaw School is accurate.

The District's attendance system (IST) has now been fully implemented and attendance is being tracked through the attendance system and no longer completed manually. The District continues to provide training and assistance to all personnel involved in attendance. However, the District has again instructed all departments not to dispose of original documentation unless expressly authorized by administrative personnel.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

FINDING 2008-7
ATTENDANCE
LAKEVIEW JUNIOR HIGH
10000

CRITERIA:

Monthly summaries should reconcile to the data origination documentation.

CONDITION:

One instance where the monthly summary had a student marked absent, but all period teachers had the student present for the same day.

EFFECT:

None. We expanded our detailed testing and found no other inconsistencies and the above finding appears to have been an isolated instance.

CAUSE:

Upon conversation with District staff, the student was ill the previous day and it appeared that the site had erroneously marked the student absent an additional day in the system.

QUESTIONED COSTS:

\$0

RECOMMENDATION:

The District should take additional care in reconciling monthly attendance summaries to teacher attendance sheets.

DISTRICT'S CORRECTIVE ACTION PLAN:

The District is cautious and thorough in reconciling monthly attendance summaries to teacher attendance sheets. The District provides training to personnel involved with attendance on the importance of accurate attendance reporting.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section II – Financial Statements Findings

FINDING 2007-1
INVENTORY
30000

FINDING:

Testing of internal controls revealed that the warehouse inventory list was not retained.

RECOMMENDATION:

The District should retain a copy of the fiscal year end inventory list.

STATUS:

Implemented

FINDING 2007-2
GENERAL RECEIPTS – FUNDRAISING
JOE NIGHTENGALE
30000

FINDING:

Testing of internal controls revealed one instance of insufficient documentation. The documentation consists of an "Audit Requirement form" which details money collected. There is no documentation of items sold.

RECOMMENDATION:

Appropriate documentation for fundraising functions should include a reconciliation of items sold to monies collected.

STATUS:

Implemented

FINDING 2007-3
CAFETERIA RECEIPTS
30000

FINDING:

Testing of internal controls revealed daily deposits occasionally differ from the expected counts generated from "Meal Time". Per conversation with cafeteria staff, due to the volume of students being served at one time, cash over/short results from either forgetting to collect money or not returning the appropriate amount of change due.

RECOMMENDATION:

The District should improve the internal control structure concerning the cafeteria receipts activities.

STATUS:

Not Implemented. See current fiscal year finding 2008-4.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

FINDING 2007-4
STUDENT BODY RECEIPTS
30000

FINDING:

Records concerning student body fundraising activities were incomplete at both student bodies.

RECOMMENDATION:

The District should improve the internal control structure concerning the student body fundraising activities.

STATUS:

Not Implemented. See current fiscal year finding 2008-5.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section III – Federal Award Findings and Questioned Costs

There were no Federal award findings and questioned costs.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section IV – State Award Findings and Questioned Costs

There were no State award findings and questioned costs.

ORCUTT UNION SCHOOL DISTRICT
COUNTY OF SANTA BARBARA
ORCUTT, CALIFORNIA

AUDIT REPORT
June 30, 2008

DATE RECEIVED:



AUDIT REVIEW #(s) 05081

Assigned To: Mout

Date Reviewed: 8/20/09

Reviewer's Initials: DM

Date Review(s) Completed: 8/20/09

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ORCUTT UNION SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Orcutt Union School District
Orcutt, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orcutt Union School District as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The lack of certain internal control procedures and supporting records of the student body fund limits us from expressing an independent auditors' opinion on recorded transactions of the statement of fiduciary net assets.

In our opinion, except for the effects of any adjustments that might have resulted had we been able to audit the student body fund, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Orcutt Union School District at June 30, 2008, and the respective changes in financial position thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 of the notes to basic financial statements effective July 1, 2007, the Orcutt Union School District adopted Governmental Accounting Standards Board (GASB) Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures – an Amendment of GASB Statements No. 25 and No. 27*.

The Management's Discussion and Analysis on pages 3 through 14, and the budgetary information on page 37, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 8, 2008, on our consideration of the Orcutt Union School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Orcutt Union School District's basic financial statements. The accompanying combining and individual fund financial statements schedules, and statistical information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Orcutt Union School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

MOSS, LEVY & HARTZHEIM LLP

Moss, Levy & Hartzheim LLP

December 8, 2008

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

This section of the financial report provides discussion and analysis of Orcutt Union School District's financial performance with an overview of the District's financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus*, an amendment to GASB Statements No. 21 and No 34, issued in June 2001, and; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001.

Certain comparative information between the current year (FY08) and the prior year (FY07) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2007-2008 fiscal year include the following:

- Total net assets for the District are \$25,670,708. This is an increase of 5.82% from prior fiscal year.
- Contract negotiations were settled with 2% on the salary schedule as well as increased health and welfare benefits of 6.5% increase over prior fiscal year.
- Student enrollment decreased by 143 students from October of 2006 to October of 2007.
- The District completed approximately \$900,000 in capital improvements. The largest of these was the Orcutt Jr. High School entrance and hardcourt playfields which was funded by deferred maintenance, special reserve fund for capital outlay projects, and school site budgets.
- The District maintains the State required minimum reserve for economic uncertainty which is calculated at 3% of general fund expenditures and other financing uses.

ENROLLMENT

The number of students served is the basis for most revenues that flow into the District. The most consistent measurement of enrollment by school districts in California is the enrollment count in October of each year. The count in October, as mandated by the State, is utilized to give districts consistent numbers for a year-to-year analysis. This enrollment is called CSIS (California School Information Services, previously known as CBEDS.) Although the October CSIS is the first solid indicator of enrollment for the year, the District's largest source of revenue in any fiscal year is based on P-2 ADA. This is the second period of Average Daily Attendance which is the average student attendance between July 1 and April 15. The District receives money only on those

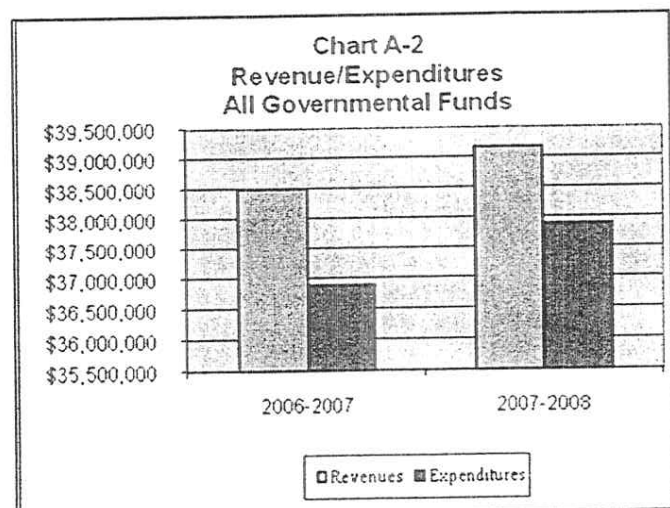
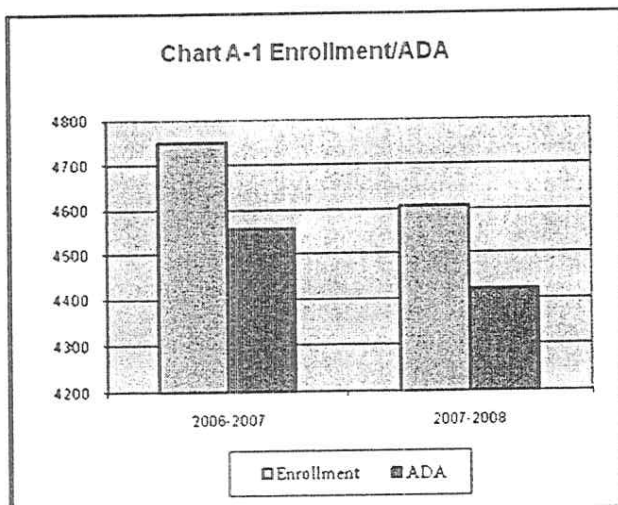
ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

students who actually attend school. Annual ADA is calculated at year-end and adjustments are made in the subsequent year. The percentage of Enrollment to ADA for both current fiscal year and prior fiscal year is 96%.

COMPARISONS:

In 2007-2008, the District decreased enrollment by 143 students however, due to a hold harmless provision to fund the same as prior fiscal year, the District realized one time revenues of approximately \$ 757,000. Starting in fiscal year 2002-2003, the District started losing ADA due to declining enrollment. In fiscal year 2003-2004, the District experienced the first major decline in enrollment of 66 students. In fiscal year 2004-2005, the District continued to further decline by 262 students. Overall, since 2002-03, the District has declined by 429 students. The decline is attributed to the high cost of housing in addition to changing demographics. Also during those years, the District did not accept many inter-district transfers. In 2005-2006, the District increased by 38 students due to inter-district transfers from neighboring districts and was able to maintain enrollment numbers through those transfers. Those transfers are no longer being allowed by the neighboring district.

Total Revenue Limit Sources in fiscal year 2007-2008, increased 4.11 %. Total revenues for the District increased by 1.75%. This is primarily due to increases in revenue limit and one time revenue limit appropriations due to declining enrollment.



ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

Table A-1

COMPARISON OF ALL GOVERNMENTAL REVENUES:

Governmental Revenues	Fiscal Year 2006-07	Fiscal Year 2007-08	Percent Increase (Decrease)
Revenue Limit Sources:			
State Apportionment	16,156,438	16,841,487	4.24%
Local Source	8,651,146	8,986,608	3.88%
Total Revenue Limit Sources	24,807,584	25,828,095	4.11%
Federal	1,618,749	1,865,656	15.25%
Other State	7,655,029	6,813,880	(10.99%)
Other Local	<u>4,418,595</u>	<u>4,666,750</u>	<u>5.62%</u>
Total Revenues	\$38,499,957	39,174,381	1.75%

Table A-2

COMPARISON OF ALL GOVERNMENTAL EXPENDITURES:

Governmental Activities	Fiscal Year 2006-07	Fiscal Year 2007-08	Percent Increase (Decrease)
Instruction	21,770,626	22,338,460	2.61%
Instruction Related Services:			
Supervision of instruction	1,006,223	1,060,568	5.40%
Instructional library, media and technology	861,647	1,144,629	32.84%
School site administration	2,180,086	2,218,362	1.76%
Pupil Services:			
Home to school transportation	726,853	801,498	10.27%
Food services	1,207,110	1,278,660	5.93%
All other pupil services	920,352	1,082,869	17.66%
General Administration:			
All other general administration	1,643,458	1,702,287	3.58%
Plant Services	4,571,595	4,174,120	(8.69%)
Ancillary Services	30,227	34,038	12.61%
Community Services	893,868	966,574	8.13%
Interest and principal/long term debt	<u>1,075,201</u>	<u>1,089,034</u>	<u>1.29%</u>
Total	36,887,246	37,891,099	2.72%

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

The Districts overall expenditures increased by 2.72% in fiscal year 2007-2008. Most functions increased due to increased negotiated contracts, however additional increases accounted for the following: Technology increases accounted for one time money spent on technology for classrooms, transportation increases were due to increased fuel costs, ancillary increased due to increased athletic stipends, pupil services increases were due to increased counselor support.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. This annual report is comprised of three components: 1) management's discussion and analysis (this section), 2) the basic financial statements, and 3) supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds* statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements*.
 - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

Figure A-1 Organization of Orcutt School District's Annual Financial Report

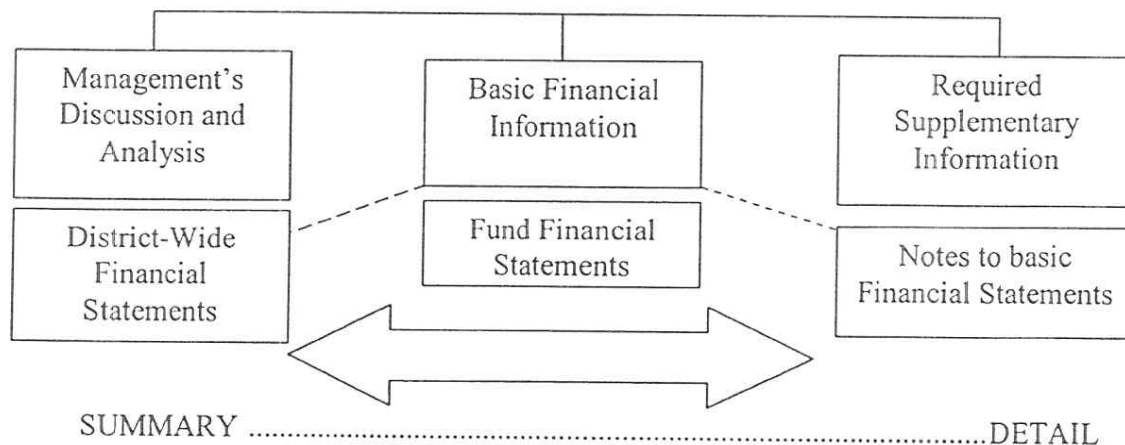


Figure A-2 summarizes the major features of the District's financial statements, including a portion of the District's activities covered and the types of information contained.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> Statement of Net Assets Statement of Activities 	<ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures, & Changes in Fund Balances 	<ul style="list-style-type: none"> Statement of Net Assets Statement of Activities Statement of Cash Flows 	<ul style="list-style-type: none"> Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the fiscal year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain non-financial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain non-financial assets, though they can

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

<i>Type of inflow/outflow information</i>	All revenues and expenses during the fiscal year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the fiscal year; expenditures when goods or services have been received and payment is due during the fiscal year or soon thereafter	All revenues and expenses during the fiscal year, regardless of when cash is received or paid	All revenues and expenses during the fiscal year, regardless of when cash is received or paid
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The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current fiscal year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

- Over time, increases and decreases in the District's net assets are indicators of whether its financial position is improving or deteriorating.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.
- In the District-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements focus on the School District's most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

- The District establishes other funds to control and manage money for particular purposes (i.e. repaying its long-term debt) or to show that it is properly using certain revenues (i.e. Federal grants).

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flows in and out and (2) the balances left at fiscal year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationships (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the retiree fund and student body funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

Notes to Basic Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the District-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* including the budgetary schedules for the major funds and the notes to the budgetary schedules.

Results of the federally mandated *Single Audit*, which includes auditors' opinion, schedule of federal awards and schedules of findings and questioned costs, are also included in this section.

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net assets were \$25,670,708 as of June 30, 2008.

Net Assets. The District's net assets is shown in Table A-3. The increase in net assets is shown in Table A-4

Table A-3

	Governmental Activities
	<u>2008</u>
Current and other assets	\$ 12,166,116
Capital assets, net	28,594,109
Total assets	<u>\$ 40,760,225</u>
Long-term debt outstanding	14,082,725
Other liabilities	1,006,792
Total liabilities	<u>\$15,089,517</u>
Net assets	
Invested in capital assets, net of related debt	15,165,871
Restricted for capital projects	2,460,871
Restricted for debt service	840,078
Unrestricted	7,203,888
Total net assets	<u><u>\$ 25,670,708</u></u>

Table A-4

	Governmental Activities
	<u>2008</u>
Total Revenues	\$ 39,174,381
Total Expenses	37,762,712
Increase in net assets	<u><u>\$ 1,411,669</u></u>

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial performance of the District as a whole is reflected in its governmental funds. As the District completed this fiscal year, its governmental funds reported a combined fund balances of \$10,960,883. This is an increase of 5.82% over last fiscal year. The District's General Fund had more revenues than expenditures in 2008.

Below in table A-5 is a list of all the various District's fund balances at the end of fiscal year 2006-2007, as well as fiscal year 2007-2008. The changes between the fiscal years are also listed.

Table A-5

Ending Fund Balances
Fiscal year 2006-2007 and 2007-2008

	Ending Balances <u>At June 30, 2007</u>	Ending Balances <u>At June 30, 2008</u>	Changes Increase (Decrease)
General Fund- 01	\$4,153,198	\$4,396,457	243,259
Cafeteria Fund 13	787,911	799,074	11,163
Deferred Maint. Fund 14	570,437	561,482	(8,955)
Special Reserve Postretirement Benefits Fund 20	529,570	1,049,656	520,086
Capital Facilities Fund 25	1,982,966	2,460,870	477,904
Special Reserve-Capital Projects Fund 40	591,729	592,288	559
Bond Interest & Redemption Fund 51	1,061,790	1,101,056	39,266
TOTAL	\$9,677,601	\$10,960,883	\$1,283,282

General Fund Budgetary Highlights

Over the course of the fiscal year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increases to account for categorical programs and school donations
- Salaries and benefits costs – salaries and benefits were increased to account for approved negotiated agreements and changes in personnel and health benefits

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

- Non-Capital expenses - increased to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the general fund anticipated revenues would fall short of expenditures by about \$1.8 million, the actual results for the fiscal year show that revenues actually exceeded expenditures by approximately \$1 million. Actual revenues were approximately \$500,000 more than anticipated due to a mandated cost payment, but expenditures were \$2.3 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were budgeted but not received nor spent as of June 30, 2008. They will be carried over into the 2008-09 budgets. In addition, schools typically carry over unrestricted balances that are budgeted in the first interim reporting period. Shortly after the Governor signed the 2007-2008 State budget, Districts were advised to hold off spending anything that wasn't necessary due to State revenues not meeting expectations. The State was projecting further deteriorating economic conditions affecting the State budget and in December, the Governor had declared a fiscal emergency. This contributed to the District utilizing a very conservative approach to expenditures in the 2007-2008 fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2007-08 the District had invested approximately \$29 million in capital assets. Total depreciation expenses for the year were \$1,076,766.

Table A-6

Governmental Activities

**Capital Assets at Fiscal Year-
End, net of accumulated
depreciation**

	<u>2008</u>
Land	\$ 1,864,100
Site improvements & Buildings	26,087,754
Machinery and Equipment	642,255
Total	<u>\$ 28,594,109</u>

Long-Term Debt

At fiscal year-end, the District had \$14.5 million in general obligation bonds, other long term-debt, and capital leases— a decrease of 3.13% from last fiscal year – as shown in Table A-7. (More detailed information about the District's long-term liabilities is presented in the notes to basic financial statements.)

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

Table A-7

Outstanding Long-Term Debt
at Fiscal Year-End

	<u>2007</u>	<u>2008</u>
General obligation bonds	\$14,320,000	\$13,955,000
Compensated absences payable	218,736	195,068
Capital leases	417,643	351,443
Other general long term debt	60,000	45,000
Total	<u>\$ 15,016,379</u>	<u>\$ 14,546,511</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

Changing demographics continues to change the face of education in California, thereby affecting Orcutt as we all struggle with the long term projected trend of declining enrollment within our population. Over half of the District's in California are in decline at this time. Live birth rate data for the Orcutt District suggests increases in the future, however increased costs of housing contributes to a decline of young families in the area for the short term. While affordable houses are anticipated to be built, it will be many years before the District sees significant increases in enrollment. Currently, developers are holding back construction due to a change in the real estate market and an economic housing slump. The District anticipates slow growth after a decline for the next couple of years.

The District has historically accepted inter-district transfers; however neighboring Districts not experiencing the growth of past years, have changed policies to no longer release students in the future. This will affect the District in the coming years until we begin generating students from new housing. For the short term, some new housing growth will mitigate some of the decline. In the next fiscal year, the District will begin a K-12 locally funded charter school which will additionally mitigate the decline in revenues due to declining enrollment and provide an additional educational option for the children of Orcutt.

Declining enrollment has provided one time dollars to the District in the fiscal year of the student decline, however, at the turnaround point where the District starts to grow it is critical for the district to have additional dollars to accommodate the added expenditures at that time.

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2008

At the time these financial statements were prepared and audited, the California Legislative Analyst continues to project that California's fiscal condition remains critical with significant budget shortfalls and is likely to remain so for the foreseeable future. The State structural deficit is growing exponentially. The State had been funding schools with one time money, anticipating an improved economy in the future. Money allocated to schools is at risk simply because of the pressures growing in other areas of the State budget as revenues decline and State expenditures increase due to economic factors. While it is almost certain that educational programs will be affected negatively in the future, the total impact on the finances of the District is unknown at this time.

CONTACTING DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to:

Ms. Marysia Ochej
Assistant Superintendent of Business Services
Orcutt Union School District
500 Dyer Street
P.O. Box 2310
Orcutt, CA 93457
Telephone: 805-938-8916
Fax 805-938-8919

ORCUTT UNION SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2008

Assets	Governmental Activities
Cash in county treasury	\$ 8,294,675
Cash on hand and in bank	30,169
Revolving cash fund	15,900
Accounts receivable	2,867,280
Inventories, at cost	34,887
Land	1,864,100
Buildings and improvements	35,945,518
Equipment	2,915,095
Less accumulated depreciation	(12,130,604)
Deferred charges, net of accumulated amortization	923,205
Total assets	40,760,225
Liabilities	
Accounts payable	213,455
Interest payable	260,978
Deferred revenue	68,573
Long-term liabilities:	
Due within one year:	
General obligation bonds payable	380,000
Capital lease payable	68,786
Loan payable	15,000
Total due within one year	1,006,792
Due after one year:	
General obligation bonds payable	13,575,000
Compensated absences payable	195,068
Capital lease payable	282,657
Loan payable	30,000
Total due after one year	14,082,725
Total liabilities	15,089,517
Net Assets	
Invested in capital assets, net of related debt	15,165,871
Restricted for:	
Capital projects	2,460,871
Debt service	840,078
Unrestricted	7,203,888
Total net assets	\$ 25,670,708

The accompanying notes are an integral part of this statement.

ORCUTT UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 22,338,461	\$ -	\$ 3,653,087	\$ -
Instruction-related services:				
Supervision of instruction	1,290,737		513,391	
Instructional library, media, and technology	892,900		347,359	
School site administration	2,194,694		26,680	
Pupil services:				
Home-to-school transportation	756,788		463,410	
Food services	1,278,660	647,359	668,172	
All other pupil services	1,082,869		314,514	
General administration:				
All other general administration	1,702,287	27,194	123,270	
Plant services	3,464,993	1,004	205,301	
Ancillary services	34,038		1,036	
Community services	966,574		275	
Interest on long-term debt	676,169			
Other outgo	6,776		16,064	
Depreciation (unallocated)	1,076,766			
Total governmental activities	<u>\$ 37,762,712</u>	<u>\$ 675,557</u>	<u>\$ 6,332,559</u>	<u>\$ -</u>

General revenues:

Taxes and subventions:

 Taxes levied for general purposes

 Taxes levied for debt service

 Federal and state aid not restricted to specific
 purposes

 Interest and investment earnings

 Interagency revenues

 Miscellaneous

Total general revenues

Change in net assets

Net assets, beginning of fiscal year

Net assets, end of fiscal year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets	
\$ (18,685,374)	
(777,346)	
(545,541)	
(2,168,014)	
(293,378)	
36,871	
(768,355)	
(1,551,823)	
(3,258,688)	
(33,002)	
(966,299)	
(676,169)	
9,288	
<u>(1,076,766)</u>	
<u>(30,754,596)</u>	
8,858,041	
991,855	
19,656,529	
429,192	
3,168	
<u>2,227,480</u>	
<u>32,166,265</u>	
1,411,669	
24,259,039	
<u>\$ 25,670,708</u>	

ORCUTT UNION SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Capital Facilities Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 2,607,445	\$ 2,402,257	\$ 3,284,973	\$ 8,294,675
Cash on Hand and in Banks	500	8,807	20,862	30,169
Cash in Revolving Fund	15,900	-	-	15,900
Accounts Receivable	2,570,080	56,628	240,572	2,867,280
Due from Other Funds	108,656	-	660,197	768,853
Stores Inventories	12,489	-	22,398	34,887
Total Assets	<u>\$ 5,315,070</u>	<u>\$ 2,467,692</u>	<u>\$ 4,229,002</u>	<u>\$ 12,011,764</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 189,843	\$ 822	\$ 22,790	\$ 213,455
Due to Other Funds	660,197	6,000	102,656	768,853
Deferred Revenue	68,573	-	-	68,573
Total Liabilities	<u>918,613</u>	<u>6,822</u>	<u>125,446</u>	<u>1,050,881</u>
Fund Balances:				
Reserved Fund Balances:				
Reserve for Revolving Cash	15,900	-	-	15,900
Reserve for Stores Inventories	12,489	-	22,398	34,887
Reserve for Legally Restricted Balance	1,200,525	-	-	1,200,525
Designated Fund Balances:				
Designated for Economic Uncertainties	1,065,858	-	-	1,065,858
Other Designated	2,076,371	2,460,870	2,980,102	7,517,343
Unreserved	25,314	-	-	25,314
Unreserved, reported in nonmajor:				
Debt Service Fund	-	-	1,101,056	1,101,056
Total Fund Balances	<u>4,396,457</u>	<u>2,460,870</u>	<u>4,103,556</u>	<u>10,960,883</u>
Total Liabilities and Fund Balances	<u>\$ 5,315,070</u>	<u>\$ 2,467,692</u>	<u>\$ 4,229,002</u>	<u>\$ 12,011,764</u>

The accompanying notes are an integral part of this statement.

ORCUTT UNION SCHOOL DISTRICT**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total fund balances - governmental funds \$ 10,960,883

In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost \$ 40,724,713

Accumulated depreciation 12,130,604

Net 28,594,109

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of net activities, it is recognized in the period that it is incurred. (260,978)

In governmental funds, debt issue costs and loss on debt refunding are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs and loss on refunding are amortized over the life of the debt. 923,205

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable \$ 13,955,000

Capital lease payable 351,443

Compensated absences payable 195,068

Loan payable 45,000

Total (14,546,511)

Total net assets - governmental activities \$ 25,670,708

The accompanying notes are an integral part of this statement.

ORCUTT UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General Fund	Capital Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 16,841,487	\$ -	\$ -	\$ 16,841,487
Local Sources	8,986,608	-	-	8,986,608
Federal Revenue	1,253,719	-	611,937	1,865,656
Other State Revenue	6,387,955	-	425,925	6,813,880
Other Local Revenue	2,296,105	574,841	1,795,804	4,666,750
Total Revenues	<u>35,765,874</u>	<u>574,841</u>	<u>2,833,666</u>	<u>39,174,381</u>
Expenditures:				
Instruction	22,184,708	-	153,752	22,338,460
Instruction - Related Services	4,416,058	-	7,501	4,423,559
Pupil Services	1,884,786	-	1,278,241	3,163,027
Ancillary Services	34,038	-	-	34,038
Community Services	966,574	-	-	966,574
General Administration	1,640,006	7,742	54,539	1,702,287
Plant Services	3,615,191	83,195	475,734	4,174,120
Other Outgo	6,776	-	-	6,776
Debt Service:				
Principal	66,200	-	380,000	446,200
Interest	15,135	-	620,923	636,058
Total Expenditures	<u>34,829,472</u>	<u>90,937</u>	<u>2,970,690</u>	<u>37,891,099</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>936,402</u>	<u>483,904</u>	<u>(137,024)</u>	<u>1,283,282</u>
Other Financing Sources (Uses):				
Transfers In	6,000	-	699,143	705,143
Transfers Out	(699,143)	(6,000)	-	(705,143)
Total Other Financing Sources (Uses)	<u>(693,143)</u>	<u>(6,000)</u>	<u>699,143</u>	<u>-</u>
Net Change in Fund Balances	243,259	477,904	562,119	1,283,282
Fund Balances, July 1	4,153,198	1,982,966	3,541,437	9,677,601
Fund Balances, June 30	<u>\$ 4,396,457</u>	<u>\$ 2,460,870</u>	<u>\$ 4,103,556</u>	<u>\$ 10,960,883</u>

The accompanying notes are an integral part of this statement.

ORCUTT UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Total net change in fund balances - governmental funds	\$ 1,283,282
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay of \$792,776 exceeds depreciation expense \$(1,076,766) in the period.	(283,990)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.	446,200
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:	593
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation used exceeded the amounts earned by \$23,668.	23,668
In governmental funds, debt issue costs and loss on debt refunding are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs and loss on refunding are amortized over the life of the debt.	(40,705)
In governmental funds, the entire proceed from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:	(17,379)
Change in net assets - governmental activities	<u>\$ 1,411,669</u>

The accompanying notes are an integral part of this statement.

ORCUTT UNION SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET ASSETS****FIDUCIARY FUND**

JUNE 30, 2008

	Agency Fund	Student Body Fund
ASSETS:		
Cash on Hand and in Banks	\$ 10,668	
Total Assets	10,668	
LIABILITIES:		
Due to Student Groups	10,668	
Total Liabilities	10,668	
NET ASSETS:		
Total Net Assets	\$ -	

The accompanying notes are an integral part of this statement.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

B. Reporting Entity

The reporting entity is the Orcutt Union School District. There are no component units included in this report which meet the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. Government-wide statements differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation, with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the modified accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after fiscal year end.

ORCUTT UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditure related to compensated absences and claims and judgments are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. The District's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, nonmajor, and fiduciary funds as follows:

Major Governmental Funds:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under the provision of the California Environmental Quality Act (CEQA).

Nonmajor Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains five nonmajor special revenue funds:

1. The Charter School Fund is used to account for the activities of the District run Charter School, the Orcutt Academy.
2. The Child Development Fund is used to account for resources committed to child development programs maintained by the District.
3. The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeterias.
4. The Deferred Maintenance Fund is used for the purpose of major repair or replacement of the District's property.
5. The Special Reserve Fund is used to set aside funds for postemployment benefits.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

Capital Projects Funds are used to account for the acquisition and/or construction of governmental capital assets. The District maintains two nonmajor capital projects funds:

1. The Special Reserve Fund is used to set aside funds for capital projects.
2. The Building Fund is used to account for acquisition of major capital facilities and buildings.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs. The District maintains one nonmajor debt service fund.

The Bond Interest and Redemption Fund is used to account for general obligation bond interest and redemption of bond principal.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains one agency fund for the student body accounts. The funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By State law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and District Superintendent during the fiscal year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the fiscal year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

H. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 48

For the fiscal year ended June 30, 2008, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". The Statement is effective for periods beginning after December 15, 2006. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also contains provisions that apply to certain situations in which a government does not receive resources but, nevertheless, pledges or commits future cash flows generated by collecting specific future revenues. In addition, this statement establishes accounting and financial reporting standards that apply to all intra-entity transfers of assets and future revenues. Implementation of GASB Statement No. 48 did not have an impact on the District's basic financial statements for the fiscal year ended June 30, 2008.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 50

For the fiscal year ended June 30, 2008, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 50, "Pension Disclosures – an Amendment of GASB Statements No. 25 and No. 27". The Statement is effective for periods beginning after June 15, 2007. This Statement establishes and modifies requirements related to financial reporting by pension plans and by employers that provide defined benefit and defined contribution pensions.

I. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Santa Barbara County Treasury. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq.. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with the Santa Barbara County Treasury was not available.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables.

3. Inventories and Prepaid Items

Inventory is recorded using the purchase method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventory is valued at the lower of cost (first-in, first out) or market and consists of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the period purchased.

4. Amortization of Bond Expense and Bond Discounts

The cost of issuance of bonds, loss on bond refunding, and bond discount are being amortized on the straight line method over the life of the bonds on the government-wide statements.

5. Capital Assets

Capital assets are those purchased or acquired with an original costs of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the capital assets or materially extend the capital assets' lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using the straight-line basis over the following estimated useful lives.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Liabilities, and Equity (Continued)

5. Capital Assets (Continued)

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression system	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery and tools	Shop and maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science and engineering	Lab equipment, scientific apparatus	10
Furniture and accessories	Classroom and other furniture	20
Business machines	Fax, duplicating and printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PCs, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative long-term	10 to 20
Audio visual equipment	Projectors, cameras (still and digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

6. Deferred Revenue

Cash is received for federal and state special projects and programs are recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

7. Compensated Absences

All vacation pay plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Liabilities, and Equity (Continued)

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond issuance costs are reported as prepaid expenses and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize issuance costs during the current period.

9. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The Reserve for Revolving Fund and Reserve for Inventory, reflect the portions of the fund balances represented by revolving fund cash and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

10. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each fiscal year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the State Apportionment.

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments at June 30, 2008, consisted of the following:

Cash in banks	\$ 56,737
Cash and investments with the County Treasurer	<u>8,294,675</u>
Total cash and investments	<u>\$ 8,351,412</u>

Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash in County Treasury, statement of net assets	\$ 8,294,675
Cash in revolving fund, statement of net assets	15,900
Cash on hand and in bank, statement of net assets	30,169
Cash on hand and in bank, statement of fiduciary net assets	<u>10,668</u>
Total cash and investments	<u>\$ 8,351,412</u>

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Santa Barbara County Treasury as part of the common investment pool (\$8,294,675 as of June 30, 2008). The fair value of this pool as of that date, as provided by the plan sponsor, was \$8,294,675. The District is considered to be an involuntary participant in the external pool. Interest is deposited in the participating funds. The County is restricted by Government Code Section 53635, pursuant to Section 53601 to invest in time deposits, U.S. government securities, State registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks, and in Revolving Fund

Cash balance on hand and in banks (\$40,837 as of June 30, 2008) and in the revolving fund (\$15,900) are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the County of Santa Barbara. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by fiscal agents) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Santa Barbara County Investment Pool	\$ 8,294,675	\$ 8,294,675	\$ -	\$ -	\$ -
Total	\$ 8,294,675	\$ 8,294,675	\$ -	\$ -	\$ -

ORCUTT UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				AAA	Aa	Not Rated
Santa Barbara County Investment Pool	\$8,294,675	N/A	\$ -	\$ -	\$ -	\$8,294,675
Total	\$8,294,675		\$ -	\$ -	\$ -	\$8,294,675

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2008, none of the District's deposits with financial institutions in excess of the Federal Depository Insurance Corporation limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Santa Barbara County Investment Pool).

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District's expenditures did not exceed appropriations in any individual fund.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 4 - RECEIVABLES

Receivables at June 30, 2008, consist of the following:

	General Fund	Capital Facilities Fund	Other Governmental Funds
Federal Government:			
Federal programs	\$ 529,291	\$ -	\$ 179,952
State Government:			
Apportionment	1,243,712		
Categorical aid programs	338,540		14,496
Lottery	299,839		
Local Sources:			
Developer fees		37,343	
Reimbursements	68,795		
Interest	53,082	19,285	25,705
Miscellaneous	36,821		20,419
Totals	<u>\$2,570,080</u>	<u>\$ 56,628</u>	<u>\$ 240,572</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2008, are as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General Fund	\$ 108,656	\$ 660,197
Capital Facilities Fund		6,000
Nonmajor Funds:		
Cafeteria Fund		65,553
Child Development Fund	6,039	36,309
Deferred Maintenance Fund	153,871	794
Special Reserve Fund (Special Revenue)	500,000	
Charter School Fund	287	
Totals	<u>\$ 768,853</u>	<u>\$ 768,853</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

ORCUTT UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5 - INTERFUND TRANSACTIONS (Continued)

Interfund transfers for the 2007-2008 fiscal year, are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ 6,000	\$ 699,143
Capital Facilities Fund		6,000
Nonmajor Funds:		
Deferred Maintenance Fund	199,143	
Special Reserve Fund (Special Revenue)	<u>500,000</u>	<u> </u>
Totals	<u>\$ 705,143</u>	<u>\$ 705,143</u>

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the fiscal year ended June 30, 2008, is shown below:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance June 30, 2008</u>
Capital assets, not being depreciated:					
Land	\$ 1,864,100	\$ -	\$ -	\$ -	\$ 1,864,100
Construction in progress	<u>76,246</u>	<u>533,706</u>	<u> </u>	<u>(609,952)</u>	<u> </u>
Total capital assets, not being depreciated	<u>\$ 1,940,346</u>	<u>\$ 533,706</u>	<u>\$ -</u>	<u>\$ (609,952)</u>	<u>\$ 1,864,100</u>
Capital assets, being depreciated:					
Buildings and improvements	\$35,240,946	\$ 94,620	\$ -	\$ 609,952	\$ 35,945,518
Equipment	<u>2,827,428</u>	<u>164,450</u>	<u>76,783</u>	<u> </u>	<u>2,915,095</u>
Total capital assets, being depreciated	<u>38,068,374</u>	<u>259,070</u>	<u>76,783</u>	<u>609,952</u>	<u>38,860,613</u>
Less accumulated depreciation for:					
Buildings and improvements	8,934,638	923,126			9,857,764
Equipment	<u>2,178,604</u>	<u>153,640</u>	<u>59,404</u>	<u> </u>	<u>2,272,840</u>
Total accumulated depreciation	<u>11,113,242</u>	<u>1,076,766</u>	<u>59,404</u>	<u> </u>	<u>12,130,604</u>
Total capital assets, being depreciated, net	<u>\$26,955,132</u>	<u>\$ (817,696)</u>	<u>\$ 17,379</u>	<u>\$ 609,952</u>	<u>\$ 26,730,009</u>
Net capital assets	<u>\$28,895,478</u>	<u>\$ (283,990)</u>	<u>\$ 17,379</u>	<u>\$ -</u>	<u>\$ 28,594,109</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Unallocated	<u>\$ 1,076,766</u>
 Total depreciation expense	 <u>\$ 1,076,766</u>

NOTE 7 – BONDED DEBT

The outstanding general obligation bonded debt of the Orcutt Union School District at June 30, 2008, is:

<u>Date Of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2007</u>	<u>Redeemed Current Fiscal Year</u>	<u>Outstanding June 30, 2008</u>
1999	4.6%-7.25%	2008	\$ 5,000,000	\$ 105,000	\$ 105,000	\$ -
2001	4.8%-7.75%	2008	5,000,000	195,000	95,000	100,000
2001	4.8%-7.0%	2031	5,000,000	4,440,000	105,000	4,335,000
2005	2.5%-4.5%	2030	<u>9,710,000</u>	<u>9,580,000</u>	<u>60,000</u>	<u>9,520,000</u>
			<u>\$ 24,710,000</u>	<u>\$ 14,320,000</u>	<u>\$ 365,000</u>	<u>\$ 13,955,000</u>

ORCUTT UNION SCHOOL DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2008

NOTE 7 – BONDED DEBT (Continued)

The annual requirements to amortize general obligation bonds payable outstanding as of June 30, 2008, are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 380,000	\$ 599,227	\$ 979,227
2010	400,000	585,495	985,495
2011	420,000	572,120	992,120
2012	430,000	557,362	987,362
2013	435,000	540,676	975,676
2014-2118	2,510,000	2,418,145	4,928,145
2119-2123	3,085,000	1,836,541	4,921,541
2124-2028	3,860,000	1,067,111	4,927,111
2029-2031	<u>2,435,000</u>	<u>182,709</u>	<u>2,617,709</u>
Totals	<u>\$13,955,000</u>	<u>\$ 8,359,386</u>	<u>\$ 22,314,386</u>

NOTE 8 - CAPITAL LEASE PAYABLE

The District is leasing real property valued at \$674,500, under an agreement which provides for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Lease Payment</u>
2009	\$ 81,335
2010	81,335
2011	81,335
2012	81,335
2013	<u>61,001</u>
Total	386,341
Less amount representing interest	<u>(34,898)</u>
Present value of net minimum lease payments	<u>\$ 351,443</u>

NOTE 9 – LOAN PAYABLE

On November 1, 2001, the District received a \$150,000 loan from the State of California Child Care Revolving Loan to improve facilities at May Grisham School. Interest rate on the loan is 0% and the District is to make annual payments of \$15,000 beginning March 1, 2002. Balance of the loan at June 30, 2008, is \$45,000. Future loan payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal Payment</u>
2009	\$ 15,000
2010	15,000
2011	<u>15,000</u>
Total	<u>\$ 45,000</u>

NOTE 10 – DEFEASED DEBT

On February 24, 2005, the District defeased \$8,780,000 of the 1999 and 2001 general obligation bonds from proceeds of the 2005 general obligation bond issue. The District placed \$9,417,962 in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The bonds are considered to be defeased and the related liability has been removed from the government-wide financial statements. The amount of bonds considered defeased at June 30, 2008, is \$4,245,000.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 11 – LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the fiscal year ended June 30, 2008, is shown below:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due within One Year
Compensated absences	\$ 218,736	\$ -	\$ 23,668	\$ 195,068	\$ -
Bonds payable	14,320,000		365,000	13,955,000	380,000
Capital lease	417,643		66,200	351,443	68,786
Loan payable	60,000		15,000	45,000	15,000
Totals	\$ 15,016,379	\$ -	\$ 469,868	\$ 14,546,511	\$ 463,786

NOTE 12 - JOINT VENTURES (Joint Powers Agreements)

The Orcutt Union School District participates in three joint ventures under joint powers agreements (JPA's); the Self-Insurance Program for Employees, the Self-Insured Schools of California II, and the Self-Insured Schools of California III. The relationship between the Orcutt Union School District and the JPA's are such that none of the JPAs are a component unit of the Orcutt Union School District for financial reporting purposes.

The JPAs are independently accountable for their fiscal matters. The insurance groups maintain their own accounting records. Budgets are not subject to any approval other than of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

Self-Insurance Program for Employees (S.I.P.E.)

S.I.P.E. was established to provide the services and other items necessary and appropriate for the development, operation and maintenance of a self-insurance system for workers' compensation claims against the public educational agencies who are members thereof. The participants consist of the Office of the County Superintendent of Schools, school districts, and a community college. Each participant may appoint one representative to the governing board. The governing board is responsible for establishing premium rates and making budgeting decisions.

Self-Insured School of California II (S.I.S.C. II)

S.I.S.C. II arranges for and provides property and liability insurance for its member school districts. The Orcutt Union School District pays a premium commensurate with the level of coverage requested.

Self-Insured School of California III (S.I.S.C. III)

S.I.S.C III arranges for and provides health and welfare insurance for its member school districts. The Orcutt Union School District pays a premium commensurate with the level of health and welfare insurance provided.

Condensed financial information for the above JPA's for the fiscal year ended June 30, 2008, was not available as of the audit report date.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Litigation

According to the District's staff and attorney, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 14 – EMPLOYEES' RETIREMENT SYSTEMS

State Teachers' Retirement System (STRS)

Plan Description

The Orcutt Union School District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The Plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS' annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the Orcutt Union School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008, was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The Orcutt Union School District's contributions to STRS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$1,450,599, \$1,417,593, and \$1,332,721, respectively, and equal 100% of the required contributions for each fiscal year.

California Public Employees' Retirement System (CalPERS)

Plan Description

The Orcutt Union School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the Orcutt Union School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2007-2008, was 9.306% of annual payroll. The contribution requirements of the plan members are established by State statute. The Orcutt Union School District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$428,436, \$401,651, and \$381,692, respectively, and equal 100% of the required contributions for each fiscal year.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS

The District provides, by resolution, an additional postemployment benefit to Length-of-Service retirees. The District pays for 100 percent of this benefit on a pay-as-you-go basis. During the fiscal year ended June 30, 2008, the District paid \$177,397 to 29 eligible retirees.

NOTE 16 - STUDENT BODY FUNDS

The student body funds often engage in activities, which involve cash transactions. These transactions were not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts.

NOTE 17 – NET ASSETS

The government-wide and fiduciary funds financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted, and unrestricted.

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

ORCUTT UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 17 – NET ASSETS (Continued)

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents net assets of the District, not restricted for any project or other purpose.

NOTE 18 – SUBSEQUENT EVENT

Effective July 1, 2008, the Casmalia School District was merged into the Orcutt Union School District.

The Orcutt Union School District opened the Orcutt Academy, a K-12 Charter School, pursuant to Education Code Section 47605, effective August 27, 2008. The financial activities of the Orcutt Academy Charter School are presented as a special revenue fund of the District.

REQUIRED SUPPLEMENTARY INFORMATION

ORCUTT UNION SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 16,777,905	\$ 16,632,002	\$ 16,841,487	\$ 209,485
Local Sources	9,062,026	9,104,732	8,986,608	(118,124)
Federal Revenue	1,079,643	1,285,873	1,253,719	(32,154)
Other State Revenue	5,997,915	6,197,922	6,387,955	190,033
Other Local Revenue	1,187,615	2,074,762	2,296,105	221,343
Total Revenues	<u>34,105,104</u>	<u>35,295,291</u>	<u>35,765,874</u>	<u>470,583</u>
Expenditures:				
Instruction	20,890,246	23,664,405	22,184,708	1,479,697
Instruction - Related Services	4,424,823	4,863,028	4,416,058	446,970
Pupil Services	1,704,628	1,960,366	1,884,786	75,580
Ancillary Services	35,811	50,982	34,038	16,944
Community Services	845,710	970,453	966,574	3,879
General Administration	1,803,105	1,869,845	1,640,006	229,839
Plant Services	3,450,173	3,667,448	3,615,191	52,257
Other Outgo	-	6,805	6,776	29
Debt Service:				
Principal	66,162	66,162	66,200	(38)
Interest	15,173	15,173	15,135	38
Total Expenditures	<u>33,235,831</u>	<u>37,134,667</u>	<u>34,829,472</u>	<u>2,305,195</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>869,273</u>	<u>(1,839,376)</u>	<u>936,402</u>	<u>2,775,778</u>
Other Financing Sources (Uses):				
Transfers In	-	6,000	6,000	-
Transfers Out	(382,337)	(699,143)	(699,143)	-
Other Uses	(22,493)	-	-	-
Total Other Financing Sources (Uses)	<u>(404,830)</u>	<u>(693,143)</u>	<u>(693,143)</u>	<u>-</u>
Net Change in Fund Balance	464,443	(2,532,519)	243,259	2,775,778
Fund Balance, July 1	4,153,198	4,153,198	4,153,198	-
Fund Balance, June 30	<u>\$ 4,617,641</u>	<u>\$ 1,620,679</u>	<u>\$ 4,396,457</u>	<u>\$ 2,775,778</u>

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SUPPLEMENTARY INFORMATION SECTION

ORCUTT UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2008

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 1,596,733	\$ 1,092,976	\$ 595,264	\$ 3,284,973
Cash on Hand and in Banks	20,862	-	-	20,862
Accounts Receivable	227,637	8,080	4,855	240,572
Due from Other Funds	660,197	-	-	660,197
Stores Inventories	22,398	-	-	22,398
Total Assets	<u>\$ 2,527,827</u>	<u>\$ 1,101,056</u>	<u>\$ 600,119</u>	<u>\$ 4,229,002</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 14,959	\$ -	\$ 7,831	\$ 22,790
Due to Other Funds	102,656	-	-	102,656
Total Liabilities	<u>117,615</u>	<u>-</u>	<u>7,831</u>	<u>125,446</u>
Fund Balances:				
Reserved Fund Balances:				
Reserve for Stores Inventories	22,398	-	-	22,398
Designated Fund Balances:				
Other Designated	2,387,814	-	592,288	2,980,102
Unreserved, reported in nonmajor:				
Debt Service Fund	-	1,101,056	-	1,101,056
Total Fund Balances	<u>2,410,212</u>	<u>1,101,056</u>	<u>592,288</u>	<u>4,103,556</u>
Total Liabilities and Fund Balances	<u>\$ 2,527,827</u>	<u>\$ 1,101,056</u>	<u>\$ 600,119</u>	<u>\$ 4,229,002</u>

ORCUTT UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Federal Revenue	\$ 611,937	\$ -	\$ -	\$ 611,937
Other State Revenue	409,941	15,984	-	425,925
Other Local Revenue	737,021	1,009,205	49,578	1,795,804
Total Revenues	<u>1,758,899</u>	<u>1,025,189</u>	<u>49,578</u>	<u>2,833,666</u>
Expenditures:				
Instruction	153,752	-	-	153,752
Instruction - Related Services	7,501	-	-	7,501
Pupil Services	1,278,241	-	-	1,278,241
General Administration	54,539	-	-	54,539
Plant Services	426,715	-	49,019	475,734
Debt Service:				
Principal	15,000	365,000	-	380,000
Interest	-	620,923	-	620,923
Total Expenditures	<u>1,935,748</u>	<u>985,923</u>	<u>49,019</u>	<u>2,970,690</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(176,849)</u>	<u>39,266</u>	<u>559</u>	<u>(137,024)</u>
Other Financing Sources (Uses):				
Transfers In	699,143	-	-	699,143
Total Other Financing Sources (Uses)	<u>699,143</u>	<u>-</u>	<u>-</u>	<u>699,143</u>
Net Change in Fund Balances	522,294	39,266	559	562,119
Fund Balances, July 1	1,887,918	1,061,790	591,729	3,541,437
Fund Balances, June 30	<u>\$ 2,410,212</u>	<u>\$ 1,101,056</u>	<u>\$ 592,288</u>	<u>\$ 4,103,556</u>

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ORCUTT UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008

	Charter School Fund	Child Development Fund
ASSETS:		
Cash in County Treasury	\$ -	\$ 29,632
Cash on Hand and in Banks	-	-
Accounts Receivable	-	863
Due from Other Funds	287	6,039
Stores Inventories	-	-
Total Assets	<u>\$ 287</u>	<u>\$ 36,534</u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 287	\$ 225
Due to Other Funds	-	36,309
Total Liabilities	<u>287</u>	<u>36,534</u>
Fund Balances:		
Reserved Fund Balances:		
Reserve for Stores Inventories	-	-
Designated Fund Balances:		
Other Designated	-	-
Total Fund Balance	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 287</u>	<u>\$ 36,534</u>

Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund	Total Nonmajor Special Revenue Funds
\$ 603,463	\$ 418,553	\$ 545,085	\$ 1,596,733
20,862	-	-	20,862
220,290	1,913	4,571	227,637
-	153,871	500,000	660,197
22,398	-	-	22,398
\$ 867,013	\$ 574,337	\$ 1,049,656	\$ 2,527,827
\$ 2,386	\$ 12,061	\$ -	\$ 14,959
65,553	794	-	102,656
67,939	12,855	-	117,615
22,398	-	-	22,398
776,676	561,482	1,049,656	2,387,814
799,074	561,482	1,049,656	2,410,212
\$ 867,013	\$ 574,337	\$ 1,049,656	\$ 2,527,827

ORCUTT UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Charter School Fund	Child Development Fund
Revenues:		
Federal Revenue	\$ -	\$ -
Other State Revenue	-	174,126
Other Local Revenue	-	2,127
Total Revenues	-	176,253
Expenditures:		
Instruction	-	153,752
Instruction - Related Services	-	7,501
Pupil Services	-	-
General Administration	-	-
Plant Services	-	-
Debt Service:		
Principal	-	15,000
Total Expenditures	-	176,253
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-
Other Financing Sources (Uses):		
Transfers In	-	-
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balances	-	-
Fund Balances, July 1	-	-
Fund Balances, June 30	\$ -	\$ -

Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund	Total Nonmajor Special Revenue Funds
\$ 611,937	\$ -	\$ -	\$ 611,937
54,152	181,663	-	409,941
706,596	8,212	20,086	737,021
<u>1,372,685</u>	<u>189,875</u>	<u>20,086</u>	<u>1,758,899</u>
-	-	-	153,752
-	-	-	7,501
1,278,241	-	-	1,278,241
54,539	-	-	54,539
28,742	397,973	-	426,715
-	-	-	15,000
<u>1,361,522</u>	<u>397,973</u>	<u>-</u>	<u>1,935,748</u>
11,163	(208,098)	20,086	(176,849)
-	199,143	500,000	699,143
-	<u>199,143</u>	<u>500,000</u>	<u>699,143</u>
11,163	(8,955)	520,086	522,294
787,911	570,437	529,570	1,887,918
<u>\$ 799,074</u>	<u>\$ 561,482</u>	<u>\$ 1,049,656</u>	<u>\$ 2,410,212</u>

ORCUTT UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Charter School Fund	Child Development Fund
Revenues:		
Federal Revenue	\$ -	\$ -
Other State Revenue	-	174,126
Other Local Revenue	-	2,127
Total Revenues	-	176,253
Expenditures:		
Instruction	-	153,752
Instruction - Related Services	-	7,501
Pupil Services	-	-
General Administration	-	-
Plant Services	-	-
Debt Service:		
Principal	-	15,000
Total Expenditures	-	176,253
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-
Other Financing Sources (Uses):		
Transfers In	-	-
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balances	-	-
Fund Balances, July 1	-	-
Fund Balances, June 30	\$ -	\$ -

Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund	Total Nonmajor Special Revenue Funds
\$ 611,937	\$ -	\$ -	\$ 611,937
54,152	181,663	-	409,941
706,596	8,212	20,086	737,021
<u>1,372,685</u>	<u>189,875</u>	<u>20,086</u>	<u>1,758,899</u>
-	-	-	153,752
-	-	-	7,501
1,278,241	-	-	1,278,241
54,539	-	-	54,539
28,742	397,973	-	426,715
-	-	-	15,000
<u>1,361,522</u>	<u>397,973</u>	<u>-</u>	<u>1,935,748</u>
11,163	(208,098)	20,086	(176,849)
-	199,143	500,000	699,143
-	199,143	500,000	699,143
11,163	(8,955)	520,086	522,294
787,911	570,437	529,570	1,887,918
<u>\$ 799,074</u>	<u>\$ 561,482</u>	<u>\$ 1,049,656</u>	<u>\$ 2,410,212</u>

ORCUTT UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2008

	Building Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds
ASSETS:			
Cash in County Treasury	\$ 1	\$ 595,263	\$ 595,264
Accounts Receivable	-	4,855	4,855
Total Assets	<u>\$ 1</u>	<u>\$ 600,118</u>	<u>\$ 600,119</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ -	\$ 7,831	\$ 7,831
Total Liabilities	<u>-</u>	<u>7,831</u>	<u>7,831</u>
Fund Balances:			
Designated Fund Balances:			
Other Designated	1	592,287	592,288
Total Fund Balances	<u>1</u>	<u>592,287</u>	<u>592,288</u>
Total Liabilities and Fund Balances	<u>\$ 1</u>	<u>\$ 600,118</u>	<u>\$ 600,119</u>

ORCUTT UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Building Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds
Revenues:			
Other Local Revenue	\$ 1	\$ 49,577	\$ 49,578
Total Revenues	1	49,577	49,578
Expenditures:			
Plant Services	-	49,019	49,019
Total Expenditures	-	49,019	49,019
Excess (Deficiency) of Revenues Over (Under) Expenditures	1	558	559
Net Change in Fund Balances	1	558	559
Fund Balances, July 1	-	591,729	591,729
Fund Balances, June 30	\$ 1	\$ 592,287	\$ 592,288

ORCUTT UNION SCHOOL DISTRICT
 CHARTER SCHOOL FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Total Revenues	\$ -	\$ -	\$ -
Expenditures:			
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
Net Change in Fund Balance	-	-	-
Fund Balance, July 1	-	-	-
Fund Balance, June 30	\$ -	\$ -	\$ -

ORCUTT UNION SCHOOL DISTRICT
CHILD DEVELOPMENT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	\$ 171,260	\$ 174,126	\$ 2,866
Other Local Revenue	9,375	2,127	(7,248)
Total Revenues	<u>180,635</u>	<u>176,253</u>	<u>(4,382)</u>
Expenditures:			
Instruction	157,974	153,752	4,222
Instruction - Related Services	7,661	7,501	160
Debt Service:			
Principal	15,000	15,000	-
Total Expenditures	<u>180,635</u>	<u>176,253</u>	<u>4,382</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-
Fund Balance, July 1	-	-	-
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ORCUTT UNION SCHOOL DISTRICT
 CAFETERIA FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal Revenue	\$ 555,076	\$ 611,937	\$ 56,861
Other State Revenue	57,736	54,152	(3,584)
Other Local Revenue	704,587	706,596	2,009
Total Revenues	<u>1,317,399</u>	<u>1,372,685</u>	<u>55,286</u>
Expenditures:			
Pupil Services	1,389,669	1,278,241	111,428
General Administration	55,934	54,539	1,395
Plant Services	23,774	28,742	(4,968)
Total Expenditures	<u>1,469,377</u>	<u>1,361,522</u>	<u>107,855</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(151,978)</u>	<u>11,163</u>	<u>163,141</u>
Net Change in Fund Balance	<u>(151,978)</u>	<u>11,163</u>	<u>163,141</u>
Fund Balance, July 1	787,911	787,911	-
Fund Balance, June 30	<u>\$ 635,933</u>	<u>\$ 799,074</u>	<u>\$ 163,141</u>

ORCUTT UNION SCHOOL DISTRICT
 DEFERRED MAINTENANCE FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	\$ 194,921	\$ 181,663	\$ (13,258)
Other Local Revenue	15,000	8,212	(6,788)
Total Revenues	<u>209,921</u>	<u>189,875</u>	<u>(20,046)</u>
Expenditures:			
Plant Services	935,973	397,973	538,000
Total Expenditures	<u>935,973</u>	<u>397,973</u>	<u>538,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(726,052)</u>	<u>(208,098)</u>	<u>517,954</u>
Other Financing Sources (Uses):			
Transfers In	199,143	199,143	-
Total Other Financing Sources (Uses)	<u>199,143</u>	<u>199,143</u>	<u>-</u>
Net Change in Fund Balance	(526,909)	(8,955)	517,954
Fund Balance, July 1	570,437	570,437	-
Fund Balance, June 30	<u>\$ 43,528</u>	<u>\$ 561,482</u>	<u>\$ 517,954</u>

ORCUTT UNION SCHOOL DISTRICT
 SPECIAL RESERVE FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	\$ 20,500	\$ 20,086	\$ (414)
Total Revenues	<u>20,500</u>	<u>20,086</u>	<u>(414)</u>
Expenditures:			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>20,500</u>	<u>20,086</u>	<u>(414)</u>
Other Financing Sources (Uses):			
Transfers In	500,000	500,000	-
Total Other Financing Sources (Uses)	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Net Change in Fund Balance	520,500	520,086	(414)
Fund Balance, July 1	529,570	529,570	-
Fund Balance, June 30	<u>\$ 1,050,070</u>	<u>\$ 1,049,656</u>	<u>\$ (414)</u>

ORCUTT UNION SCHOOL DISTRICT
BOND INTEREST AND REDEMPTION FUND
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	\$ 15,705	\$ 15,984	\$ 279
Other Local Revenue	1,000,939	1,009,205	8,266
Total Revenues	<u>1,016,644</u>	<u>1,025,189</u>	<u>8,545</u>
Expenditures:			
Debt Service:			
Principal	365,000	365,000	-
Interest	640,983	620,923	20,060
Total Expenditures	<u>1,005,983</u>	<u>985,923</u>	<u>20,060</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,661</u>	<u>39,266</u>	<u>28,605</u>
Net Change in Fund Balance	10,661	39,266	28,605
Fund Balance, July 1	1,061,790	1,061,790	-
Fund Balance, June 30	<u>\$ 1,072,451</u>	<u>\$ 1,101,056</u>	<u>\$ 28,605</u>

ORCUTT UNION SCHOOL DISTRICT
 BUILDING FUND
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	\$ -	\$ 1	\$ 1
Total Revenues	-	1	1
Expenditures:			
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	1	1
Net Change in Fund Balance	-	1	1
Fund Balance, July 1	-	-	-
Fund Balance, June 30	\$ -	\$ 1	\$ 1

ORCUTT UNION SCHOOL DISTRICT
 SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	\$ 25,000	\$ 49,577	\$ 24,577
Total Revenues	<u>25,000</u>	<u>49,577</u>	<u>24,577</u>
Expenditures:			
Plant Services	143,629	49,019	94,610
Total Expenditures	<u>143,629</u>	<u>49,019</u>	<u>94,610</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(118,629)</u>	<u>558</u>	<u>119,187</u>
Net Change in Fund Balance	(118,629)	558	119,187
Fund Balance, July 1	591,729	591,729	-
Fund Balance, June 30	<u>\$ 473,100</u>	<u>\$ 592,287</u>	<u>\$ 119,187</u>

ORCUTT UNION SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2008

During the fiscal year, the District has eight elementary schools with grades kindergarten through eighth.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Janet Zilli	President	2008
Kathleen Meissner	Clerk	2008
Rob Buchanan	Member	2010
Robert Hatch	Member	2010
Dr. James Peterson	Member	2010

ADMINISTRATION

Sharon McHolland, Ed. D.
District Superintendent

Kenneth Parker, Ed. D.
Associate Superintendent, Instructional Services

Marysia Ochej
Assistant Superintendent, Business Services

Jan Yanagisako
Assistant Superintendent, Personnel

ORCUTT UNION SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary		
Kindergarten	423.66	424.24
Grades one through three	1,326.21	1,327.07
Grades four through six	1,534.17	1,537.99
Grades seven and eight	1,046.50	1,047.53
Special education	85.03	84.44
Home or hospital	<u>1.20</u>	<u>.90</u>
Elementary totals	<u>4,416.77</u>	<u>4,422.17</u>

Supplemental Instructional Hours

Hours of
Attendance

Elementary

54,688

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2007-2008 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	31,500	36,000	36,200	181	In compliance
Grade 1	42,875	50,400	50,740	181	In compliance
Grade 2	42,875	50,400	50,740	181	In compliance
Grade 3	42,875	50,400	50,740	181	In compliance
Grade 4	54,425	54,000	54,643	181	In compliance
Grade 5	54,425	54,000	54,643	181	In compliance
Grade 6	54,425	54,000	54,643	181	In compliance
Grade 7	54,425	54,000	56,809	181	In compliance
Grade 8	54,425	54,000	57,820	181	In compliance

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 minutes requirement, whichever is greater by Education Code Section 46201.

The District has received incentive funding for increasing instructional time as provided by the Incentive for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

ORCUTT UNION SCHOOL DISTRICT

SCHEDULE OF EXCESS SICK LEAVE

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The following disclosure is made for excess sick leave as the term is defined in subdivision (c) of Education Code Section 22170.5:

<u>Titles of Employees Exhibiting Excess Sick Leave</u>	<u>Is Excess Sick Leave Authorized By Employee's Contract?</u>	<u>Was Excess Sick Leave Found To Be Accrued For Employee?</u>	<u>Contract Authorizing Excess Sick Leave</u>	<u>Is Excess Sick Leave Authorized In Teachers' Contract?</u>
Superintendent	No	N/A	N/A	N/A
Principal	No	N/A	N/A	N/A

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>General Fund</u>	<u>(Budget) 2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues and other financial sources	\$ 33,037,759	\$ 35,771,874	\$ 35,375,695	\$ 31,739,735
Expenditures	32,959,721	34,829,472	33,438,867	31,768,208
Other uses and transfers out	199,433	699,143	1,053,066	1,043,644
Total outgo	33,159,154	35,528,615	34,491,933	32,811,852
Change in fund balance	(121,395)	243,259	883,762	(1,072,117)
Ending fund balance	\$ 4,275,062	\$ 4,396,457	\$ 4,153,198	\$ 3,269,436
Available reserves	\$ 3,023,803	\$ 3,167,453	\$ 4,102,469	\$ 3,218,707
Designated for economic uncertainties	\$ 994,775	\$ 1,065,858	\$ 1,034,685	\$ 960,081
Undesignated fund balance	\$ 25,314	\$ 25,314	\$ 219,204	\$ 53,664
Available reserves as a percentage of total outgo	9.1%	8.9%	11.9%	9.8%
Total long-term debt	\$ 14,082,725	\$ 14,546,511	\$ 15,016,379	\$ 15,413,198
Average daily attendance at P-2	4,232	4,417	4,556	4,560

This schedule discloses the District's financial trends by displaying past fiscal years' data along with current fiscal year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

The General Fund balance has increased by \$1,127,021 over the past two fiscal years. The fiscal year 2008-09 budget projects a decrease of \$121,395. For a District this size, the State recommends available reserve of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in two of the past three fiscal years, and anticipates a deficit during the 2008-09 fiscal year. Total long-term debt has decreased by \$866,687 over the past two fiscal years.

Average daily attendance has decreased by 143 over the past two fiscal years. A decrease of 185 ADA is anticipated during the fiscal year 2008-09.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal Catalog Number</u>	<u>Federal Expenditures</u>
Federal Programs:		
U.S. Department of Education:		
Passed through the California		
Department of Education:		
Title I	84.010	\$ 232,770
Title V	84.298	4,597
Safe and Drug Free Schools and Communities	84.186	18,465
Special Education	84.027	677,997
English Language Acquisition	84.365	41,576
Improving Teacher Quality	84.367	115,241
Enhancing Education Through Technology	84.318	9,779
Charter School Grant	84.282	<u>153,294</u>
Total U.S. Department of Education		<u>1,253,719</u>
U.S. Department of Agriculture:		
Passed through the California		
Department of Education:		
National School Lunch	10.555	537,780
National School Breakfast	10.553	<u>74,157</u>
Total U.S. Department of Agriculture		<u>611,937</u>
Total expenditures of federal awards		<u><u>\$ 1,865,656</u></u>

The accompanying note is an integral part of this schedule.

ORCUTT UNION SCHOOL DISTRICT
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Orcutt Union School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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ORCUTT UNION SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS JUNE 30, 2008

	General Fund	Deferred Maintenance Fund	Cafeteria Fund
June 30, 2008, Annual Financial and Budget Report Fund Balances	\$ 4,396,457	\$ 561,482	\$ 802,390
Overstatement of cash in bank			(3,316)
June 30, 2008, Audited Financial Statements Fund Balances	<u>\$ 4,396,457</u>	<u>\$ 561,482</u>	<u>\$ 799,074</u>

	Long-Term Debt
June 30, 2008 Annual Financial and Budget Report Total Liabilities	<u>\$ 14,546,511</u>
June 30, 2008, Audited Financial Statements Long-Term Debt	<u>\$ 14,546,511</u>

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities as reported on the annual financial and budget report to the audited financial statements.

Capital Facilities Fund	Child Development Fund	(Capital Projects) Special Reserve Fund	Building Fund	Bond Interest and Redemption Fund	(Special Revenue) Special Reserve Fund
\$ 2,460,870	\$ -	\$ 592,287	\$ 1	\$ 1,101,056	\$ 1,049,656
<u>\$ 2,460,870</u>	<u>\$ -</u>	<u>\$ 592,287</u>	<u>\$ 1</u>	<u>\$ 1,101,056</u>	<u>\$ 1,049,656</u>



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A. LEVY, CPA
CRIA G. A. HARTZHEIM, CPA
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**AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Orcutt Union School District
Orcutt, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orcutt Union School District (the District) as of and for the fiscal year ended June 30, 2008, which collectively comprise the Orcutt Union School District's basic financial statements and have issued our report thereon dated December 8, 2008. In our report, our opinion was qualified because of the lack of certain internal control procedures and supporting records for the fiduciary fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over financial reporting that we described in the Findings and Recommendations Section of this report. We did not audit Orcutt Union School District's responses and, accordingly, we express no opinion on them.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, State Controller's Office, Department of Finance, and the Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

MOSS, LEVY & HARTHZEIM LLP

Moss, Levy & Harthzeim LLP

December 8, 2008



MOSS, LEVY & HARTZHEIM LLP

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AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Orcutt Union School District
Orcutt, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orcutt Union School District as of and for the fiscal year ended June 30, 2008, which collectively comprise the Orcutt Union School District's basic financial statements and have issued our report thereon dated December 8, 2008. In our report, our opinion was qualified because of the lack of certain internal control procedures and supporting records for the fiduciary fund. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in Panel's Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	8	Yes
Kindergarten continuation	3	Yes
Independent study	23	No (see next page)
Continuation education	10	Not applicable
Adult education	9	Not applicable
Regional occupational centers/programs	6	Not applicable
Incentive for longer instructional day:		
School districts	6	Yes
County offices of education	3	Not applicable
Gann limit calculation	1	Yes
Early retirement incentive program	4	Not applicable
Community day schools	9	Not applicable
Morgan-Hart class size reduction	7	Not applicable

<u>Description</u>	<u>Procedures in Panel's Audit Guide</u>	<u>Procedures Performed</u>
Mathematics and Reading Professional Development	4	Not applicable
Classroom teacher salaries	1	Yes
Class size reduction:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not applicable
Only one school serving K-3	4	Not applicable
Instructional materials fund:		
General requirements	12	Yes
K-8	1	Yes
9-12	1	Not applicable
Office of Criminal Justice Planning	-	Not applicable
Ratios of administrative employees to teachers	1	Yes
School construction funds:		
School district bonds	3	Yes
State school facilities funds	1	Not applicable
Proposition 20 lottery funds (Cardenas Textbook Act Of 2000)	2	Yes
California school age families education (Cal-Safe) program	3	Not applicable
State lottery funds (California State Lottery Act of 1984)	2	Yes
School accountability report card	3	Yes
Contemporaneous records of attendance, for charter schools	1	Not applicable
Nonclassroom-based instruction independent study, for charter schools	15	Not applicable
Mode of instruction, for charter schools	1	Not applicable
Determination of funding for nonclassroom-based instruction, for charter schools	3	Not applicable
Annual instructional minutes – classroom based, for charter schools	3	Not applicable
Excess sick leave	3	Yes
Notice to elect California State Teachers' Retirement System (CalSTRS) membership	1	Yes
After school education and safety program:		
General requirements	4	Not applicable
After school	4	Not applicable
Before school	5	Not applicable

We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

Based on our audit, we found that, for the items tested, the Orcutt Union School District complied with the State laws and regulations referred to above, except as described in the Findings and Recommendations Section of this report. We did not audit Orcutt Union School District's responses, and accordingly, we express no opinion on them. Further, based on our examination, for the items not tested, nothing came to our attention to indicate that the Orcutt Union School District had not complied with the State laws and regulations.

This report is intended solely for the information and use of the audit committee, management, State Controller's Office, Department of Finance, and Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

MOSS, LEVY & HARTHZEIM LLP

Moss, Levy & Harthzeim LLP

December 8, 2008



MOSS, LEVY & HARTZHEIM LLP

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**AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

Board of Trustees
Orcutt Union School District
Orcutt, California

Compliance

We have audited the compliance of the Orcutt Union School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. Orcutt Union School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Orcutt Union School District's management. Our responsibility is to express an opinion on the Orcutt Union School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Orcutt Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination on the Orcutt Union School District's compliance with those requirements.

In our opinion, the Orcutt Union School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

The management of the Orcutt Union School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Orcutt Union School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Orcutt Union School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, State Controller's Office, Department of Finance, Department of Education, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

MOSS, LEVY & HARTHEIM LLP

Moss, Levy & Hartheim LLP

December 8, 2008

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FINDINGS AND RECOMMENDATIONS SECTION

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Qualified

Internal control over financial reporting:

Material weaknesses identified?

_____ Yes X No

Significant deficiencies identified not considered
to be material weaknesses?

X Yes _____ None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weaknesses identified?

_____ Yes X No

Significant deficiencies identified not considered
to be material weaknesses?

_____ Yes X None reported

Type of auditor's report issued on compliance for
major programs:

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510 (a)

_____ Yes X No

Identification of major programs

CFDA Number (s)

Name of Federal Program or Cluster

84.027

Special Education

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as low-risk auditee:

X Yes _____ No

State Awards

Internal control over state programs:

Material weaknesses identified?

_____ Yes X No

Significant deficiencies identified not considered
to be material weaknesses?

X Yes _____ None reported

Type of auditor's report issued on compliance for
state programs:

Qualified

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section II – Financial Statements Findings

FINDING 2008-1
PAYROLL
30000

FINDING:

Testing of internal controls revealed one instance of an employee's personnel action form not retained.

RECOMMENDATION:

The District should retain a copy of the personnel action form.

DISTRICT'S CORRECTIVE ACTION PLAN:

A copy of the personnel action form is retained for each employee in the Payroll Office and the original personnel action form is retained in the Human Resources Department.

FINDING 2008-2
GENERAL RECEIPTS – FUNDRAISING-YEARBOOK SALES
LAKEVIEW
30000

FINDING:

Testing of internal controls revealed instances of insufficient documentation. The documentation consists of an "Audit Requirement form" which details money collected. There is no documentation of the number of items, tickets, etc., sold.

RECOMMENDATION:

Appropriate documentation for fundraising functions should include a reconciliation of items sold to monies collected.

DISTRICT'S CORRECTIVE ACTION PLAN:

The District is revising sample forms for school sites to use when reconciling items sold to monies collected for fundraising activities and will provide training to school site personnel on acceptable documentation of items sold.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

FINDING 2008-3
FUNDRAISING – ASB CARD SALES
ORCUTT JUNIOR HIGH
30000

FINDING:

Records concerning ASB Card Sales were incomplete. We were unable to determine and reconcile the number of cards sold to money collected.

RECOMMENDATION:

The District should improve the internal control structure concerning the student body fundraising activities.

DISTRICT'S CORRECTIVE ACTION PLAN:

The District has created sample forms for school site use when reconciling items sold to monies collected for fundraising activities. School site ASB advisors have attended training sponsored by FCMAT on Associated Student Body activities.

FINDING 2008-4
CAFETERIA RECEIPTS
30000

FINDING:

Testing of internal controls revealed that employees with cash collection duties also have the ability to void transactions within mealtime.

RECOMMENDATION:

The District should improve the internal control structure concerning the cafeteria receipts activities.

DISTRICT'S CORRECTIVE ACTION PLAN:

The Child Nutrition Accounting Clerk will run a report and reconciliation on all voided transactions on a monthly basis.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section III – Federal Award Findings and Questioned Costs

There were no Federal award findings and questioned costs.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section IV – State Award Findings and Questioned Costs

FINDING 2008-5
ATTENDANCE
10000

CRITERIA:

The attendance system (IST) used at the beginning of month five was not approved by the California Department of Education.

QUESTIONED COSTS:

\$0

RECOMMENDATION:

The District should have an attendance system approved by the State prior to implementing a new system.

DISTRICT'S CORRECTIVE ACTION PLAN:

The District's attendance system (IST) was officially approved by the California Department of Education on May 19, 2008.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

FINDING 2008-6
ATTENDANCE
ALICE SHAW
10000

CRITERIA:

Monthly summaries should reconcile to the data origination documentation.

CONDITION:

Site attendance from months one to four could not be verified to the origination documentation.

EFFECT:

Unknown

CAUSE:

Daily attendance was manually recorded daily by each teacher during the first four attendance months. Upon having the ability to input daily attendance into the new computerized attendance system (IST), the site input months one through four using the manually recorded daily attendance forms. The site later disposed of the original documentation for the first four months. IST was technically not fully operational until attendance month five; therefore, the manual attendance forms take precedence during the first four attendance months as original documentation. As a result, the inputted data could not be verified.

QUESTIONED COSTS:

Unknown. If all ADA was disallowed for the first four months for Alice Shaw (with the assumption of zero ADA): (592.20 @ \$5,542.65 per ADA)(4MO/10MO) equals \$1,312,943.

RECOMMENDATION:

The District should retain all original attendance documentation.

DISTRICT'S CORRECTIVE ACTION PLAN:

Teachers at Alice Shaw School verified their manual input before office personnel entered the information into the IST attendance system. Alice Shaw School personnel checked the absences entered against those that were done manually before disposing of the manual forms, thus school personnel feel confident that the data entry was done correctly. Because they were sure of the input for those first four months, and because month five and beyond were kept electronically, school personnel did not think the manual forms needed to be kept and without checking with district administration, disposed of the manual forms.

As Alice Shaw School has been accurate from years past, the district feels that their electronic input is accurate. Previous years ADA and Enrollment for Alice Shaw School as compared to the 2007/08 school year is as follows:

Year	Enrollment	ADA	Percent of Enrollment to ADA
2003/04	595	571.68	96.10
2004/05	577	553.19	95.87
2005/06	603	576.69	95.64
2006/07	601	574.66	95.62
2007/08	609	582.57	95.66

With the above information being within acceptable parameters from year to year, and correct reports generated by the IST system, the District's administration has confidence that the ADA reported for Alice Shaw School is accurate.

The District's attendance system (IST) has now been fully implemented and attendance is being tracked through the attendance system and no longer completed manually. The District continues to provide training and assistance to all personnel involved in attendance. However, the District has again instructed all departments not to dispose of original documentation unless expressly authorized by administrative personnel.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

FINDING 2008-7
ATTENDANCE
LAKEVIEW JUNIOR HIGH
10000

CRITERIA:

Monthly summaries should reconcile to the data origination documentation.

CONDITION:

One instance where the monthly summary had a student marked absent, but all period teachers had the student present for the same day.

EFFECT:

None. We expanded our detailed testing and found no other inconsistencies and the above finding appears to have been an isolated instance.

CAUSE:

Upon conversation with District staff, the student was ill the previous day and it appeared that the site had erroneously marked the student absent an additional day in the system.

QUESTIONED COSTS:

\$0

RECOMMENDATION:

The District should take additional care in reconciling monthly attendance summaries to teacher attendance sheets.

DISTRICT'S CORRECTIVE ACTION PLAN:

The District is cautious and thorough in reconciling monthly attendance summaries to teacher attendance sheets. The District provides training to personnel involved with attendance on the importance of accurate attendance reporting.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section II – Financial Statements Findings

FINDING 2007-1
INVENTORY
30000

FINDING:

Testing of internal controls revealed that the warehouse inventory list was not retained.

RECOMMENDATION:

The District should retain a copy of the fiscal year end inventory list.

STATUS:

Implemented

FINDING 2007-2
GENERAL RECEIPTS – FUNDRAISING
JOE NIGHTENGAL
30000

FINDING:

Testing of internal controls revealed one instance of insufficient documentation. The documentation consists of an "Audit Requirement form" which details money collected. There is no documentation of items sold.

RECOMMENDATION:

Appropriate documentation for fundraising functions should include a reconciliation of items sold to monies collected.

STATUS:

Implemented

FINDING 2007-3
CAFETERIA RECEIPTS
30000

FINDING:

Testing of internal controls revealed daily deposits occasionally differ from the expected counts generated from "Meal Time". Per conversation with cafeteria staff, due to the volume of students being served at one time, cash over/short results from either forgetting to collect money or not returning the appropriate amount of change due.

RECOMMENDATION:

The District should improve the internal control structure concerning the cafeteria receipts activities.

STATUS:

Not Implemented. See current fiscal year finding 2008-4.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

FINDING 2007-4
STUDENT BODY RECEIPTS
30000

FINDING:

Records concerning student body fundraising activities were incomplete at both student bodies.

RECOMMENDATION:

The District should improve the internal control structure concerning the student body fundraising activities.

STATUS:

Not Implemented. See current fiscal year finding 2008-5.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section III – Federal Award Findings and Questioned Costs

There were no Federal award findings and questioned costs.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section IV – State Award Findings and Questioned Costs

There were no State award findings and questioned costs.

